

UNIFIED FIRE AUTHORITY

Findings and Recommendations
For the Period January 1, 2011 through July 31, 2016

Report No. SSVF-17-SPa



OFFICE OF THE STATE AUDITOR

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OFFICE OF THE
STATE AUDITOR

REPORT NO. SSVF-17-SPa

January 17, 2017

Sheldon Stewart, Board Chair
Unified Fire Authority
3380 South 900 W
Salt Lake City, Utah 84119

Dear Mr. Stewart:

We have performed the procedures described below to certain aspects of the Unified Fire Authority's (UFA) internal control and compliance for the period January 1, 2011 through July 31, 2016 unless otherwise stated. The purpose of these procedures is to assist UFA in evaluating its internal control and investigate allegations of improper compensation to certain employees, misuse of credit cards, and other potential misuse of public funds. We performed the following procedures at the UFA:

1. We reviewed the arrangement for Unified Fire Authority (UFA) to provide administrative services to UFSA for reasonableness.
2. We reviewed incentive payments for proper approval and compliance with employment agreements, policy, and law.
3. We reviewed fire station construction costs for reasonableness.
4. We reviewed purchase-card disbursements for proper approval and reasonableness.
5. We reviewed compliance with record retention laws in certain circumstances.
6. We reviewed the appropriate use and reasonableness of technology assets assigned to the former Chief and former Deputy Chief.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of UFA's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional which identified concerns or had we made an audit of the effectiveness of UFA's internal control, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached findings and recommendations section of this report.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of UFA during the course

of the engagement, and we look forward to a continuing professional relationship. If you have questions, please contact Van Christensen, Audit Director, at 801-538-1394 or vchristensen@utah.gov

Office of the State Auditor

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BACKGROUND

The Unified Fire Authority (UFA) is an “interlocal entity” formed under *Utah Code* 11-13, Interlocal Cooperation Act. *Utah Code* 11-13-102 states that the purpose of the Interlocal Cooperation Act is “...to permit local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and ... to provide the benefit of economy of scale.” The purpose of UFA is to provide fire and emergency services – specifically in the form of fire equipment and personnel – to each of its Member entities which as of December 2016 included the Unified Fire Service Area (UFSA) plus four additional cities (Alta, Cottonwood Heights, Draper, and Holladay). As of December 2016, UFA was governed by a 12-member board (Board) which included all eight members of the UFSA board plus elected officials from the four additional member cities.

UFSA is a “local district” organized under *Utah Code* Title 17B. Local districts are special-purpose local governments, meaning that they generally provide a single specific service or a group of closely related services to a defined geographical area. As of December 2016, UFSA encompassed five cities (Eagle Mountain, Herriman, Midvale, Riverton, Taylorsville) and the unincorporated area of Salt Lake County. As of December 2016, UFSA was governed by an eight-member board comprised of elected officials from each member city and three county officials. The stated purpose of UFSA is to provide fire and emergency services, including the funding of these services, to the service area; however, UFSA’s primary function is financing the construction of fire stations within its service area, with funding primarily generated through property taxes. Although UFSA does not provide fire and emergency services *directly*, it does provide those services through its agreement with UFA.

Beginning January 1, 2007, UFA assumed administrative support for UFSA.

This report focuses on findings and recommendations specific to UFA.

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FINDINGS AND RECOMMENDATIONS

When questionable or inappropriate behavior occurs, accountability is often focused on the potential perpetrator. However, when a governing body fails to provide appropriate oversight—by clearly establishing authority, instilling responsibility, and ensuring accountability through words, policies, and actions—the risk of inappropriate activity increases. Governing bodies should exercise oversight, allow suspicious activity to be reported without fear of reprisal, promptly and thoroughly evaluate reports of suspicious activity, aggressively seek out possible fraudulent conduct, and enforce accountability by demonstrating a zero tolerance for improper activity. This report categorizes weaknesses into the following three areas:

- **FORMER CHIEF AND FORMER DEPUTY CHIEF PUT THEIR PERSONAL INTERESTS OVER ORGANIZATIONAL INTERESTS,**
- **BOARD FAILED TO PROVIDE PROPER OVERSIGHT, AND**
- **UFA EXPERIENCED OPERATIONAL WEAKNESSES.**

FORMER CHIEF AND DEPUTY CHIEF PUT PERSONAL INTERESTS OVER ORGANIZATION INTERESTS

1. FORMER CHIEF AND FORMER DEPUTY CHIEF ENGAGED IN VARIOUS ACTIVITIES WHICH MAY HAVE VIOLATED THE UTAH PUBLIC OFFICERS' AND EMPLOYEES' ETHICS ACT

Various instances noted in Findings 2 through 18 in this report potentially violate the Utah Public Officers' and Employees' Ethics Act, *Utah Code* 67-16, which prohibits officers and employees from using their official position to personally benefit themselves or others. Penalties outlined in the Ethics Act range from a Class B Misdemeanor to a Felony in the Second Degree and include removal from office or employment.

Recommendation:

We recommend potential violations of the Utah Public Officers' and Employees' Ethics Act be referred to law enforcement for possible criminal investigation.

2. FORMER CHIEF IMPROPERLY INCREASED COMPENSATION FOR FORMER DEPUTY CHIEF WITHOUT BOARD AUTHORIZATION

From January 2011 to December 2015, the former Chief approved \$105,000 in incentive awards for the former Deputy Chief in violation of the former Deputy Chief's employment agreement. The former Deputy Chief's employment agreement stated that, "The Board may, at its sole discretion, increase the Base Salary, and other benefits as it deems appropriate." There were no provisions in the employment agreement authorizing anyone other than the full Board to increase

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the former Deputy Chief's compensation. Although UFA incentive award policy¹ allows the chief to offer cash awards, the former Deputy Chief's employment agreement excluded the former Chief from offering these awards to the former Deputy Chief.

Recommendations:

We recommend:

- **The Board ensure the chief and other executive administrators understand their roles and limits on their authority.**
- **The chief operate within the law and within the terms of any employment agreement.**
- **The \$105,000 in incentive awards be repaid either by (1) the former Chief who improperly approved the awards or (2) the former Deputy Chief who improperly received the awards.**
- **Refer misuse of public funds by the former Chief to law enforcement for possible criminal investigation.**

3. FORMER CHIEF AND FORMER DEPUTY CHIEF BREACHED THEIR EMPLOYMENT AGREEMENTS BY ACCEPTING PAYMENTS THAT WERE NOT APPROVED BY THE BOARD

From January 2011 to December 2015, the former Chief and former Deputy Chief breached their employment agreements by accepting incentive awards (\$103,000 for the former Chief and \$105,000 for the former Deputy Chief) which they knew were not approved by the Board, as required by their employment agreements. The acceptance of these incentives violated section 4 (Compensation) of the employment agreements which stated, "The Board may, at its sole discretion, increase the Base Salary, compensation and other benefits as it deems appropriate." There were no provisions in the former Chief's or former Deputy Chief's employment agreements authorizing anyone other than the Board to increase their compensation. The former Chief and former Deputy Chief signed these employment agreements which overrode any previous practice regarding the incentive awards for the chief and deputy chief.

The acceptance of these payments and the fact that they were hidden from Board oversight highlights the former Chief and former Deputy Chief's desire to further their own economic interests at the expense of UFA.

Recommendations:

We recommend:

- **The former Chief repay the \$103,000 he received in incentive awards.**
- **The former Deputy Chief repay the \$105,000 he received in incentive awards.**

¹ UFA Rules, Policies, and Procedures I-3-6120(2)(1)(4)

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- **The Board refer misuse of public funds by the former Chief to law enforcement for possible criminal investigation.**

4. FORMER CHIEF AND FORMER DEPUTY CHIEF IMPROPERLY JUSTIFIED ACCEPTING INCENTIVE AWARDS

The former Chief and former Deputy Chief claimed that \$81,000 (of the total \$103,000 in incentive awards) and \$81,500 (of the total \$105,000 in incentive awards), respectively, was for work done on behalf of UFSA. UFSA's agreement for administrative services was directly with UFA. It was not directly with any individuals who are or were UFA employees. Therefore, UFSA should not have attempted to pay any individuals either directly or indirectly via UFA. Additionally, the incentive awards were all paid by UFA from 2011-2015. UFSA did not pay any of the incentive awards.

However, if an agreement *had* existed directly between UFSA and the former Chief or former Deputy Chief, and these payments actually were for UFSA work, then the former Chief and former Deputy Chief would have breached their employment agreements (Section 3 – Performance of Duties) for failing to provide written summaries of non-UFA activities. The employment agreements contain the following provision requiring the former Chief and former Deputy Chief to:

“provide to the Board, through its Chair, a written summary of non-UFA activities ... including an estimate of the amount of time dedicated ... compensation derived ... [and] a statement how such non-UFA activity is beneficial to UFA ... on an annual basis, no later than June 30th of each year.”

We requested copies of all summaries of non-UFA activities. UFA could only provide those for 2016. A long-serving Board member indicated to us that to his knowledge the 2016 summaries were the only disclosures provided by either the former Chief or former Deputy Chief.

In addition, the employment agreements for both the former Chief Financial Officer (CFO) and the former Chief Legal Officer (CLO) indicate they may receive additional compensation for work done on behalf of UFSA. That provision states:

The parties acknowledge that the [CLO/CFO] has been and may continue to be assigned duties relating to the [legal affairs/financial management] of the Unified Fire Service Area. Such work shall be considered as separate from the work for the UFA required under this agreement and shall not relieve the [CLO/CFO] from the faithful performance of [his/her] duties under this Agreement. Work performed by the [CLO/CFO] for the Service Area shall be subject to such compensation as may be agreed upon by the Fire Chief and the [CLO/CFO].

Neither the former Chief's nor former Deputy Chief's employment agreements contained a similar clause indicating that any work done on behalf of UFSA was to be included within their UFA duties and UFA compensation.

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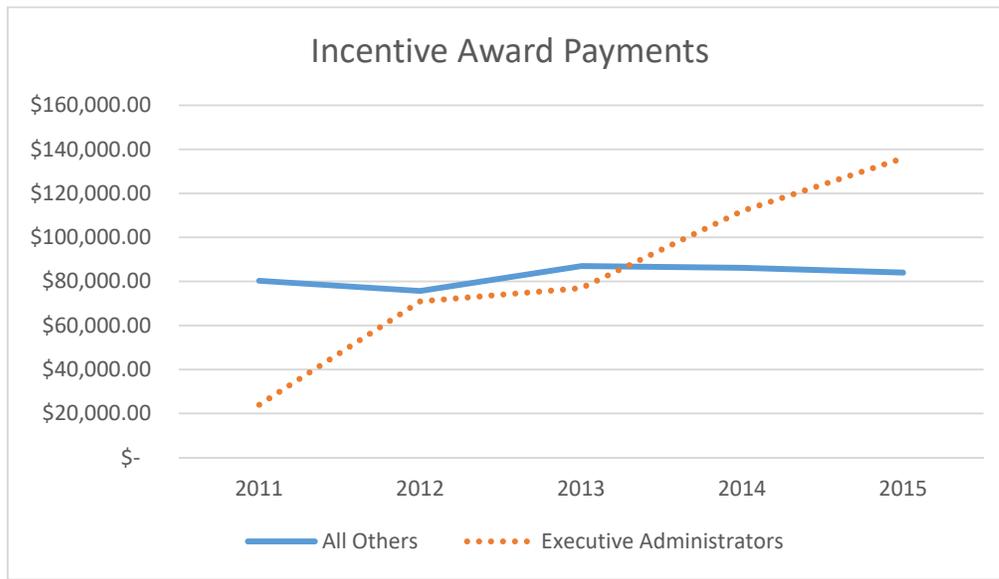
Recommendations:

We recommend:

- **The former Chief repay the \$81,000 in incentive awards received for work done on behalf of UFSA.**
- **The former Deputy Chief repay the \$81,500 in incentive awards received for work done on behalf of UFSA.**
- **The Board provide proper oversight of Executive Administration for enhanced UFSA administrative support.**

5. FORMER CHIEF AND FORMER DEPUTY CHIEF INCREASED COMPENSATION VIA INCENTIVE AWARDS WITHOUT ANY PERFORMANCE METRICS

From January 2011 to December 2015, 50% of incentive award money went to the four Executive Administrators. During 2015, these four Administrators received 62% of the incentives awarded. From 2011 to 2015, incentive awards to Executive Administrators increased 467%, while incentive awards to all others within UFA increased by 4.6% (see chart below).



The former Chief and former Deputy Chief have justified most of these payments as compensation for additional work they completed for UFSA. However, given the rapid increase, amount, method of approval, and lack of quantifiable inputs or outcomes justifying the payments, any justification of pay for performance is unsubstantiated. For example, UFA could provide no time sheets or other tracking of effort performed on behalf of UFSA. As further evidence, it is reasonable that the amount and description of each individual's incentive award would differ given their varying responsibilities; however, the Executive Administration members received the same amount of incentive award for a similar purpose in all but five of the 84 substantially similar sets of awards. This has the appearance of simply spreading awards to the Executive

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Administration team. This is illustrated in the following table which provides summaries for two sample sets of awards granted, as noted on the January 21, 2015 award statements for each member of the Executive Administration.

Top-Level Description	Former Chief	Former Deputy Chief	Former CLO	Former CFO
AWARD NUMBER 1:				
Construction, Expansion and Maintenance	\$5,000	\$5,000	\$5,000	\$5,000
Legislation	5,000	5,000	5,000	5,000
Management	5,000	5,000	5,000	5,000
MISC (Impact Fee Collection, District Finance Rating)	5,000	5,000	5,000	5,000
TANS	5,000	5,000	5,000	5,000
Total Amount on Award Statement	\$25,000	\$25,000	\$25,000	\$25,000
AWARD NUMBER 2:				
Camp Williams	\$1,000	\$1,000	\$1,000	\$1,000
EOC (Increase Budget and Capital Improvements)	1,000	1,000	1,000	1,000
Finance (Clean Audit)	1,000	1,000	1,000	1,000
LEGISLATION	1,000	1,000	1,000	1,000
Narcotics (Investigation/Policies/Implementation)	1,000	1,000	1,000	1,000
NSA (EOP and Response Management)	1,000	1,000	1,000	1,000
Rosecrest Bill (Reduced from \$580k to \$290k)	1,000	1,000	1,000	1,000
USAR (Reorganization)	1,000	1,000	1,000	1,000
Wildland (Reorganization)	1,000	1,000	1,000	1,000
Total Amount on Award Statement	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

In addition, as discussed in Finding No. 35, while each award line item was typically for \$1,000 per individual, the aggregate amount of each award (comprised of multiple line items) typically exceeded \$1,000 and was in violation of UFA's Employee Incentive Procedure policy.

Recommendations:

We recommend:

- **The former Chief repay all incentive awards since assuming the position of chief.**
- **The former Deputy Chief repay all incentive awards he received since assuming the position of deputy chief.**
- **The Board ensure employee incentive awards are given for actions above and beyond typical duties.**
- **The Board ensure that UFA personnel appropriately track efforts on behalf of UFSA enhanced administrative services.**
- **The Board ensure compliance with policies governing incentive awards.**

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6. FORMER CHIEF STEERED UFA PERSONNEL AND RESOURCES, PROVIDING PREFERENTIAL TRAINING PRIOR TO HIRING OF FAMILY MEMBERS

In June 2011, the son and brother-in-law of the former Chief were hired by UFA. We found departures from standard hiring practices which were designed to financially benefit the former Chief's son and brother-in-law, as follows:

- UFA requires its firefighters to complete an EMT course before their hire date. According to senior staff, the former Chief was unaware of this requirement and only learned of it when his son, who had not yet taken an EMT course, applied. According to senior staff, the former Chief requested to have this requirement changed and when told this would delay the hiring process, the former Chief instead ordered a condensed EMT course. The condensed EMT course was completed in 17 days, while all other courses took over 53 days. The former Chief's son and brother-in-law were the only students of that EMT course who were hired in the June 2011 class.
- Due to the hasty manner in which the EMT course was organized, the class was not full. Typically the course is designed to recover UFA's cost. In regards to this class, UFA personnel were instructed to offer the course regardless of the cost.
- UFA typically hires employees at the beginning of a bi-monthly pay period. However, UFA hired its June 2011 recruit class on June 27th, four days before the beginning of a pay period, to allow these recruits to qualify for the Utah Retirement Systems' (URS) generous Tier I retirement plan. Employees hired after July 1, 2011 qualify for a Tier II retirement plan that provides a reduced retirement benefit from Tier I. This shift in hiring practices financially benefitted the former Chief's son and brother-in-law.
- We found indications of preferential treatment during the interview process in comparison to other candidates, particularly given the family members' limited experience.

Recommendations:

We recommend:

- **The Board analyze the costs of the condensed course and, if the course resulted in excess costs, recover those costs from the former Chief.**
- **Future chiefs do not hire family members and avoid engaging in activities which provide preferential treatment for family members.**

7. FORMER CHIEF AND FORMER DEPUTY CHIEF MAY HAVE VIOLATED NEPOTISM LAW

The former Chief had two sons, two brothers-in-law, and a cousin working under his direct supervision (within his chain of command) and the former Deputy Chief had three nephews working under his direct supervision. The former Chief is ultimately responsible for the appointment of all UFA personnel. Exhibit K, 6.d of the Cooperative Agreement creating UFA,

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states that, “The Fire Chief shall be responsible to ... make final selections for appointments and promotions...”

Utah Code 52-3-1(2) states that:

No public officer may employ, appoint, or vote for or recommend the appointment of a relative in or to any position or employment, when the salary, wages, pay, or compensation of the appointee will be paid from public funds and the appointee will be directly supervised by a relative...

Utah Code 52-3-1(1) defines relative as:

a father, mother, husband, wife, son, daughter, sister, brother, grandfather, grandmother, uncle, aunt, nephew, niece, grandson, granddaughter, first cousin, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law.

The former Chief and former Deputy Chief may have violated the nepotism law.

Recommendations:

We recommend the Board:

- **Monitor compliance with State nepotism laws.**
- **Refer potential violations of State nepotism laws to law enforcement for possible criminal investigation.**

8. FORMER CHIEF AND FORMER DEPUTY CHIEF BILLED UFA FOR BASEBALL SPRING TRAINING JUNKET

The former Chief, former Deputy Chief, and other personnel went to Phoenix, Arizona at the invitation of a former and future contractor and a Phoenix-based architectural firm. The stated business purpose was to visit fire stations and review architectural designs; the itinerary provided by the contractor showed the trip consisted of only one day’s worth of business activities. UFA could not provide us with any other information documenting the business purpose of the trip.

A day trip, resulting in no hotel stays, would have been reasonable given the business itinerary. However, the former Chief and former Deputy Chief sought reimbursement for travel to Phoenix from March 4, 2013 to March 10, 2013. It appeared the primary purpose of the trip was to attend baseball spring training. The itinerary was as follows:

Date	Daily Itinerary
March 4	Travel Day
March 5	Personal Day, Spring Training Baseball
March 6	UFA Business, Visiting Fire Stations
March 7	Personal Day
March 8	Personal Day, Spring Training Baseball
March 9	Personal Day
March 10	Travel Day

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The average cost of airfare to Phoenix booked through the State of Utah Travel Office during the same time period was \$307. The \$307 plus pro rata daily meal per diem of \$53.25 (75% of \$71) would have resulted in a day trip cost of approximately \$360 per person, or a total cost of \$720 for the two individuals rather than the \$3,650 incurred, resulting in \$2,930 of unnecessary costs.

The former Chief and former Deputy Chief indicated on their travel forms that the former contractor paid for their hotels. However, the former contractor indicated they offered to pay for the hotels and flights to Phoenix, but the former Chief declined the offer. It is unknown why the former Chief and former Deputy Chief submitted a reimbursement form falsely indicating the contractor had paid for their hotels.

Knowingly claiming a business expense for personal purposes misrepresents the purpose of the travel, resulting in personal financial gain. Merriam-Webster defines fraud as (a) the “intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right” or (b) “an act of deceiving or misrepresenting.”

These improper expenditures appear to violate *Utah Code 76-10-1801* “Communications fraud” which states:

Any person who has devised any scheme or artifice to defraud another or to obtain from another money, property, or anything of value by means of false or fraudulent pretenses, representations, promises, or material omissions, and who communicates directly or indirectly with any person by any means for the purpose of executing or concealing the scheme or artifice is guilty of: ... [misdemeanor or felony]...

An intent on the part of the perpetrator of any offense described ... to permanently deprive any person of property, money, or thing of value is not a necessary element of the offense.

To communicate ... means to: (i) bestow, convey, make known, recount, or impart; (ii) give by way of information; (iii) talk over; or (iv) transmit information.

Means of communication include use of the mail, telephone, telegraph, radio, television, newspaper, computer, and spoken and written communication.

These improper expenditures also appear to violate *Utah Code 76-8-402* “Misusing public money” which states:

Every ... person charged ... with use of public money commits an offense if the ... person appropriates the money or any portion of it to his own use or benefit or ... knowingly keeps any false account or makes any false entry or erasure in any account or relating to the money.

The former Chief and former Deputy Chief signed “Travel Request Forms” requesting the reimbursement, thus making a “false account or entry relating to the money.”

These improper expenditures were “willful fraud or defalcation ... which involve funds or other assets of UFA” and would have allowed the Board to terminate for cause the former Chief and former Deputy Chief’s employment according to their employment agreements.

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Recommendations:

We recommend the Board:

- **Recover excessive expenditures from the former Chief and former Deputy Chief.**
- **Refer potential misuse of public funds and potential fraudulent representation of expenditures by the former Chief and former Deputy Chief to law enforcement for possible criminal investigation.**

9. FORMER CHIEF AND FORMER DEPUTY CHIEF OVERBILLED UFA FOR EXTENDED STAY IN ANAHEIM

In addition to the trip discussed above, the former Chief and former Deputy Chief also took an extended trip to Anaheim, California, accompanied by their families. The former Chief and former Deputy Chief claimed that they were visiting other fire stations on the extra days, but there is no documentation, such as calendar events and emails, to show they visited any fire stations. We called five Anaheim area fire stations which the former Chief said he visited, and none had any documentation or recollection of visits from the former Chief or former Deputy Chief. Other than conference materials, UFA could not provide us with any other information documenting the business purpose of the trip. The tables below note the itinerary and costs incurred.

FORMER CHIEF		
Date	Daily Itinerary	Inappropriate Costs
November 29	Travel Day	\$ 0.00
November 30	Personal Day	179.22
December 1	Personal Day	332.06
December 2	Conference	81.84*
December 3	Conference	81.84*
December 4	Conference	81.84*
December 5	Personal Day	332.06
December 6	Personal Day	327.52
December 7	Travel Day	0.00
Total Inappropriate Costs		\$1,416.38

*Inappropriate amounts are noted on conference days because the hotel cost was \$81.84 more than the conference rate paid by the former Deputy Chief.

FORMER DEPUTY CHIEF		
Date	Daily Itinerary	Inappropriate Costs
November 30	Travel Day	\$ 0.00
December 1	Personal Day	\$250.22
December 2	Conference	0.00
December 3	Conference	0.00
December 4	Conference	0.00
December 5	Travel Day	0.00
December 6	Claimed Per Diem After Return	71.00
December 7	Claimed Per Diem After Return	71.00
Total Inappropriate Costs		\$ 392.22

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We found a comparable flight during this same time period which cost \$530 (no weekend stay). The cost to drive a UFA vehicle, using IRS mileage reimbursement rates applicable at the time, was \$764, resulting in unnecessary costs of \$234. Since both the former Chief and former Deputy Chief drove separate UFA vehicles, the total unnecessary transportation costs were \$468 (\$234 x 2).

These improper expenditures appear to violate *Utah Code 76-10-1801* “Communications fraud” which states:

Any person who has devised any scheme or artifice to defraud another or to obtain from another money, property, or anything of value by means of false or fraudulent pretenses, representations, promises, or material omissions, and who communicates directly or indirectly with any person by any means for the purpose of executing or concealing the scheme or artifice is guilty of: ... [misdemeanor or felony]...

An intent on the part of the perpetrator of any offense described ... to permanently deprive any person of property, money, or thing of value is not a necessary element of the offense.

To communicate ... means to: (i) bestow, convey, make known, recount, or impart; (ii) give by way of information; (iii) talk over; or (iv) transmit information.

Means of communication include use of the mail, telephone, telegraph, radio, television, newspaper, computer, and spoken and written communication.

These improper expenditures also appear to violate *Utah Code 76-8-402* “Misusing public money” which states:

Every ... person charged ... with use of public money commits an offense if the ... person appropriates the money or any portion of it to his own use or benefit or ... knowingly keeps any false account or makes any false entry or erasure in any account or relating to the money.

The former Chief and former Deputy Chief signed “Travel Return Forms” requesting the reimbursement thus making a “false account or entry relating to the money.”

These improper expenditures were “willful fraud or defalcation ... which involve funds or other assets of UFA” and would have allowed the Board to terminate for cause the former Chief and former Deputy Chief according to their employment agreements.

Recommendations:

We recommend the Board:

- **Recover excessive expenditures from the former Chief and former Deputy Chief.**
- **Refer potential misuse of public funds and potential fraudulent representation of expenditures by the former Chief and former Deputy Chief to law enforcement for possible criminal investigation.**

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10. FORMER DEPUTY CHIEF BILLED UFA FOR PERSONAL TRAVEL EXPENSES

We reviewed travel by the former Deputy Chief from August 2011 through July 2016 and compared the number of days traveled to the number of days related to the business event (such as a conference), allowing for travel before and after the event. We found the former Deputy Chief extended business trips resulting in 16 personal days, including the trips to Anaheim and Phoenix noted above, for which he received improper reimbursement totaling \$4,044.

These improper expenditures appear to violate *Utah Code 76-8-402* “Misusing public money” which states:

Every ... person charged ... with use of public money commits an offense if the ... person appropriates the money or any portion of it to his own use or benefit or ... knowingly keeps any false account or makes any false entry or erasure in any account or relating to the money.

These improper expenditures were “willful fraud or defalcation... which involve funds or other assets of UFA” and would have allowed the Board to terminate for cause the former Deputy Chief according to his employment agreement.

Recommendations:

We recommend the Board:

- **Recover excessive expenditures from the former Deputy Chief.**
- **Refer potential misuse of public funds by the former Deputy Chief to law enforcement for possible criminal investigation.**

11. FORMER CHIEF AND FORMER DEPUTY CHIEF INCURRED UNSUPPORTED AND QUESTIONABLE TRAVEL EXPENDITURES

We reviewed purchase card (p-card) purchases for the former Chief and former Deputy Chief from January 2012 through July 2016. These individuals made purchases that lacked adequate documentation. Adequate documentation² would include a receipt and an explanation of the business purpose, usually documented on an approved UFA travel form. Unsupported purchases totaled \$8,263. We also identified certain transactions that we question because the expenditure appears to violate policy or law or appears unreasonable and does not reflect the actions a prudent person would take in the circumstances.

² The determination of “substantiated” or adequate documentation is based on federal guidance regarding substantiating business expenses found in 26CFR §1.274-5, this guidance states that expenditures are considered “substantiated” when there is 1) documentary evidence such as a receipt sufficient to “...establish the amount, date, place, and essential character of the expenditure. For example, a restaurant receipt is sufficient to support an expenditure for a business meal if it contains the following: name and location of the restaurant, the date and amount of the expenditure, the number of people served” and 2) an explanation of the business purpose such as “...an account book, diary, log, statement of expense, trip sheet, or similar record maintained by the employee in which the information as to each element of an expenditure or use is recorded at or near the time of the expenditure or use.”

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The table below identifies questionable expenses by job title. The examples do not comprise an all-inclusive list. In order to avoid duplication, we did not include amounts of questionable purchases reported in other findings.

Title	Unsupported Amount	Examples of Questionable Expenses
Former Chief	\$4,110	<ul style="list-style-type: none"> • \$135 – January 31, 2015 hotel stays in Salt Lake City. Given close proximity to former Chief’s home, a hotel was unnecessary. • \$25 – Baggage fee for former Chief’s wife.
Former Deputy Chief	\$4,153	<ul style="list-style-type: none"> • \$497 – April 21, 2013 hotel stays in Salt Lake City for former Chief, former Deputy Chief, former Board Chair, and former Board member. Given close proximity to these individuals’ homes, hotel stays were likely unnecessary. • \$212 – March 9, 2014 hotel stays in Salt Lake City for former Deputy Chief and former Board Chair. Given close proximity to these individuals’ homes, hotel stays were likely unnecessary. • \$249 – January 31, 2015 hotel stays in Salt Lake City for former Deputy Chief and former Board Chair. Given close proximity to these individuals’ homes, hotel stays were likely unnecessary. • \$48 – July 30, 2012 fraudulent claim by former Deputy Chief for “Admittance to the Firefighters Museum.” We called the Denver-based museum to confirm the purchase and were informed that the purchase was for “challenge coins” unrelated to admission. Not a valid UFA business purpose.

None of the travel purchases noted were supported by a UFA Travel Request form. UFA Policy Volume II, Chapter 2, Section 10 “Business Travel” states that:

“... travel may not actually occur until the Travel Request Form has been signed by the Deputy Chief or the Fire Chief. The Division Commander is responsible for ensuring that travel is appropriate, reasonable and necessary to the mission, responsibilities, or duties of UFA. Under no circumstances may an individual approve his or her own Travel Request Form. A Travel Request Form must be filled out with all known applicable costs as soon as the information is available. If possible, the form should be submitted no later than 30 days prior to the travel date.”

The former Chief and former Deputy Chief’s employment agreements (Section 4 “Compensation”) further specify,

“... UFA shall reimburse [the Chief/Deputy Chief] for the reasonable and necessary business travel and business expenses, including conferences, seminars, training exercises, and subscriptions... Reimbursement shall be made upon the presentation by [the Chief/Deputy Chief] of reasonably detailed statements of such expenses. [Emphasis added]

The former Chief and former Deputy Chief were in breach of contract for failure to provide “reasonably detailed statements” of various business expenses.

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Recommendations:

We recommend the Board:

- **Recover improper expenditures from the former Chief and former Deputy Chief.**
- **Regularly review and approve the expenditures of any direct report for documented business purpose and reasonableness.**
- **Refer potential fraudulent expenditures by the former Chief and former Deputy Chief to law enforcement for possible criminal investigation.**

We recommend the chief adequately review and ensure compliance with UFA expense policies for documented business purpose and reasonableness.

12. FORMER CHIEF AND FORMER DEPUTY CHIEF INCURRED EXCESSIVE AND UNNECESSARY RENTAL CAR EXPENSES

We reviewed rental car purchases reported on the former Chief's and former Deputy Chief's UFA travel forms from August 2011 through July 2016 and noted the following:

- The former Chief had one rental car charge totaling \$666, traveling 750 miles over 3 days, despite the conference being held within walking distance of the hotel with convenient ground transportation available to/from the airport as a much cheaper option.
- The former Deputy Chief had 8 questionable rental car charges totaling \$5,123.63, averaging 630.7 miles per trip. He traveled over 1,000 miles on one 7-day trip. Seven of the eight car rentals were for conferences which were within walking distance of the hotels.
- The former Deputy Chief did not document the business justification for 8 of his car rentals.
- During the trip to Phoenix, the former Deputy Chief rented a vehicle despite a UFA vehicle being present and all participants visiting the same business locations.
- The former Deputy Chief nearly always rented a full-size vehicle rather than a more cost effective vehicle, such as an intermediate or economy vehicle.

A reasonable expectation of business-related travel would be transportation between the airport and hotel and between the hotel and conference location. Such transportation is likely cheaper by taxi or ground shuttle than rental car. Since many of these conferences were held at or near where the former Chief or former Deputy Chief stayed, a significant portion of these miles were likely personal.

UFA travel policy³ applicable at the time defined the parameters for obtaining a rental vehicle. The policy stated, "UFA will reimburse for a rental car when there is a business justification or

³ Unified Fire Authority Rules, Policies, and Procedures, Volume II, Chapter 2, Section 10: Travel on Unified Fire Authority Business, approved April 4, 2011.

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when there is no other means of comparable transportation.” It further explains, “Car rentals may be used when the overall cost of the rental is less than the cost of other means of transportation.” Additionally, rentals are “limited up to intermediate or mid-size classification.”

When informed that travel practices violated UFA travel policies, rather than conform to that policy, the former Chief approved an amendment to the policy April 20, 2015 that states, “Whenever Division Commanders, the Fire Chief or the Deputy Fire Chief travel, they are approved for rental cars.”⁴ We do not see the compelling reason for this change and note that it may incur unnecessary expenses for UFA. We are also concerned that rather than complying with policy, the former Chief changed the policy to accommodate a select set of individuals.

Recommendations:

We recommend the Board:

- **Recover excessive expenditures from the former Chief and former Deputy Chief.**
- **Regularly review and approve the travel expenditures of any direct report for documented business purpose and reasonableness.**

13. FORMER CHIEF’S AND FORMER DEPUTY CHIEF’S LODGING EXPENSES EXCEED ALLOWABLE RATES

For 6 of 11 trips, the former Chief incurred lodging expenses which exceeded allowable UFA rates by \$1,072. For 8 of 19 trips, the former Deputy Chief incurred lodging expenses which exceeded UFA allowable rates by \$788.

- We noted several instances where the former Chief and former Deputy Chief stayed in hotel rooms that were more expensive than the hotels in which other UFA employees stayed on the same trip. For example, the former Chief’s and former Deputy Chief’s hotel costs for a trip to St. George were \$179 per night, while two assistant chiefs’ hotel costs for the same conference were \$80 and \$99 per night. The allowable rate for St. George, Utah was \$83 per night.
- In another instance, the former Chief and former Deputy Chief stayed in a hotel which was 22.5 miles from the conference and where the rates ranged from \$229-\$249 a night for the former Chief and \$167-\$199 for the former Deputy Chief rather than the \$125 UFA rate.

UFA travel policy requires employees to follow General Service Administration (GSA) per diem rates.⁵ We note that GSA rates tend to be higher than State of Utah rates. The policy includes both meal and lodging rates. The UFA travel policy states, “Travelers should select modestly priced accommodations and attempt to find rates that are in line with the GSA per diem rates for lodging.” This policy lacks clarity because it uses the words “attempt to find” without indicating

⁴ UFA Rules, Policies, and Procedures II-2-10(6)(1)

⁵ Unified Fire Authority Rules, Policies, and Procedures, Volume II, Chapter 2, Section 10: Travel on Unified Fire Authority Business, Subsection 1.2 (approved April 4, 2011).

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when exceptions are justified. For example, some policies allow an exception to per-diem rates when the hotel room is located at the same hotel where the conference is being held, in order to reduce other travel-related costs.

Recommendations:

We recommend the Board:

- **Recover excessive expenditures from the former Chief and former Deputy Chief.**
- **Regularly review and approve the travel expenditures of any direct report for documented business purpose and reasonableness.**

14. FORMER CHIEF AND FORMER DEPUTY CHIEF FAILED TO FOLLOW TRAVEL AUTHORIZATION AND DOCUMENTATION POLICY

The former Chief and former Deputy Chief often did not complete authorization or reimbursement forms properly. The former Chief did not follow UFA travel policy in at least 8 of his 11 travel instances. Examples of the former Chief's noncompliance included:

- Signing and authorizing at least one of his own travel authorizations and reimbursements.
- Submitting one travel form approximately one and a half years after the return date.
- Submitting at least one of his reimbursement forms without the Finance Division's signature.

The former Deputy Chief did not follow UFA travel policy in at least 10 of his 19 travel instances. Examples of the former Deputy Chief's noncompliance included:

- Signing and authorizing three of his own travel authorizations without the former Chief's signature.
- Lacking a pre-authorization form on at least one trip.
- Submitting at least one of his reimbursement forms without the Finance Division's signature.
- Submitting one travel pre-authorization form *after* he had left on the trip.

In order to ensure that travel complies with IRS requirements and is properly reimbursed for legitimate business purposes, UFA policy requires that all travelers obtain prior authorization in order to be reimbursed for appropriate expenses.⁶ The primary methods for ensuring all travel is authorized are the UFA travel forms.

The policy prohibits travelers from (1) signing their own authorization form, (2) making travel arrangements before all signatures are present on the form, and (3) traveling without a clear UFA purpose. Additionally, UFA policy prohibits travelers from receiving reimbursement unless

⁶ UFA Rules, Policies, and Procedures II-2-10(1)(1), (approved April 4, 2011).

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reimbursement forms (1) are complete with all the related documentation, (2) are processed within 14 days of return, and (3) contain authorized signatures from both the Division Commander and Finance Division.

The former Chief and former Deputy Chief's failure to follow travel authorization and documentation policies are the result of the former Chief's application of a policy allowing him to grant exceptions for travel. This policy states, "The Fire Chief reserves the right to grant exceptions or override any or all parts of the travel policy as he feels necessary in order to benefit UFA." Although the Board had granted the former Chief the authority to approve certain policy amendments,⁷ it was improper for the former Chief to exempt himself from various policies because of the difficulty of distinguishing the difference of personal benefit from benefit of UFA. Ultimately the Board should decide any exceptions in regard to the chief.

Recommendations:

We recommend the Board:

- **Recover improper expenditures from the former Chief and former Deputy Chief for any travel expenditures which failed to comply with UFA policy and contractual obligations contained within their employment agreements.**
- **Regularly review and approve the travel expenditures of any direct report for compliance with UFA policy.**

15. FORMER DEPUTY CHIEF REQUESTED AND/OR OBTAINED REIMBURSEMENT FOR COSTS IN EXCESS OF DOCUMENTED BUSINESS TRAVEL EXPENSES

We reviewed the former Deputy Chief's travel expenditures from August 2011 through July 2016 and found that he requested and sometimes received reimbursement for costs in excess of business expenses for 8 of 19 trips. In several instances, the former Deputy Chief received reimbursement but was later required to reimburse UFA after the Finance Division conducted a post audit of his expenses. The former Chief was responsible for reviewing the former Deputy Chief's expenses and reimbursements. The following table details various improper reimbursements. (These are in addition to those improper expenses noted in prior findings).

Travel Description	Reimbursement Requested	Reason for Charge
New York, NY	\$18.50	Requested and received reimbursement for movie rental charged to hotel room. UFA subsequently requested and received repayment for this expense.
Atlanta, GA	\$39.00	Requested and received reimbursement for three days of lunch per diem when lunches were included in the conference registration. UFA was not reimbursed.
Phoenix, AZ	\$24.69	Requested and received meal per diem reimbursement when meals were paid for with a UFA p-card. Dinner included 8 people with a total cost of \$197.53 (\$24.69 per person).

⁷ UFA Rules, Policies, and Procedures I-1-2(2)(5), (approved January 17, 2006)

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Washington, DC	\$35.00	Requested reimbursement for fuel purchased after the end of the travel date. Finance Division refused to pay.
Dallas, TX	\$60.00	Requested \$60 reimbursement for baggage fees, but never produced a receipt. Finance Division refused to pay.
Denver, CO	\$40.00	Requested \$40 reimbursement for baggage fees, but never produced a receipt. Finance Division initially reimbursed the charge, but later required it be repaid.
San Francisco, CA	\$34.38	Requested and received meal per diem reimbursement when meals were paid for with a UFA p-card. Dinner included 4 people with a total cost of \$137.50 (\$34.38 per person). UFA did not notice the duplication and was never reimbursed.
Chicago, IL	\$51.46	Requested and received reimbursement for a taxi while he had a rental car. UFA did not notice and the former Deputy Chief did not reimburse this improper expense.
Total	\$303.03	

The baggage fees are concerning due to indications that the additional fees were for personal items, such as golf clubs, or were related to baggage of non-UFA travelers. The former Deputy Chief failed or refused to provide valid receipts documenting the purpose of the fee. Due to the frequency and nature of the requested overpayments, we believe the former Deputy Chief was attempting to defraud UFA. We do not believe it was simply a matter of sloppy financial record keeping.

The former Chief placed too much trust in the former Deputy Chief failing to provide reasonable oversight, to request appropriate documentation, and to inquire regarding questionable expenses. We found no indication of the former Chief questioning or rejecting the former Deputy Chief's expenses or reimbursement requests.

Recommendations:

We recommend the Board:

- **Ensure the chief understands that when he approves expenditures he accepts responsibility of the appropriateness of those expenditures.**
- **Refer misuse of public funds and communication fraud by the former Deputy Chief to law enforcement for possible criminal investigation.**

We recommend the chief:

- **Provide adequate oversight of the deputy chief by ensuring business expenses are reasonable and have a documented business purpose.**
- **Terminate the employment of any employee engaged in the misuse of public funds or the attempt to conceal improper use of funds.**

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16. FORMER CHIEF AND FORMER DEPUTY CHIEF ACQUIRED EXCESSIVE TECHNOLOGY ASSETS FOR THEMSELVES

The former Chief and former Deputy Chief had more technology equipment (and more expensive technology equipment) than necessary for their jobs. Those assets also had capabilities that far outweighed the work responsibilities of the former Chief or former Deputy Chief. From late 2011 through mid-2016, the former Deputy Chief spent over \$23,000 on technology, with nearly \$15,000 spent at Apple using his UFA p-card. During that same time period, the former Chief spent over \$1,600 in technology purchases on his p-card.

Upon separation, the former Chief returned the following UFA-owned technology equipment:

- Two 27-inch iMacs,
- MacBook Pro,
- Cellular iPad Pro,
- Cellular iPad 2,
- Nikon D80 DSLR,
- Stainless Steel Apple Watch, and
- Two iPhones – one of which was activated but appears to have been never used.

Upon separation, the former Deputy Chief returned the following UFA-owned technology equipment:

- Two 27-inch iMacs,
- MacBook Pro, 15 inch,
- Cellular iPad Pro
- iPad Mini
- Cellular iPad 2,
- GoPro camera,
- Nikon D7100 DSLR,
- Seven DSLR lenses,
- Nikon D80 DSLR,
- Canon XA20 video camera, and
- Stainless Steel Apple Watch

We found that the business-related use of the equipment was primarily limited to email and light office application use (e.g. Word, Excel). The former Chief and former Deputy Chief each had an iMac in office, an iMac at home, as well as MacBook Pro laptops. Rather than two iMac's plus a MacBook Pro, a more reasonable configuration would have been a laptop plus a monitor or two.

In addition, the necessity of frequent equipment updates and the capability of the equipment appear to far exceed its business use. According to the UFA IT Division, there was no business justification for the amount of technology and computer equipment held by these individuals. It was common for a senior-level employee to have a desktop or laptop computer and a tablet; however, there is only one case that IT management can remember where an individual needed a computer at home.

Additionally, the common practice is to turn in older equipment when newer equipment is purchased. However, neither the former Chief nor former Deputy Chief turned in older

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equipment when they purchased new equipment. The equipment listed above was only returned upon the termination of these individuals.

Recommendations:

We recommend the Board:

- **Ensure appropriate policies and procedures exist regarding the acquisition, tracking, use, and return of technology assets.**
- **Ensure the chief and deputy chief comply with UFA policies and procedures in regards to the acquisition, tracking, use, and return of technology assets.**
- **Monitor whether the assignment of technology assets match the necessity of their use.**

17. FORMER CHIEF AND FORMER DEPUTY CHIEF USED ELECTRONIC DEVICES PRIMARILY FOR PERSONAL PURPOSES OR UNALLOWABLE USES

Upon termination, the former Chief and the former Deputy Chief returned most of the UFA-owned technology. The computing devices returned had been erased; however, we were able to recover much of the data using a professional forensics team.

The former Chief and former Deputy Chief used UFA-owned devices in violation of UFA's acceptable use of technology policy.⁸ This policy prohibits: private business use, religious or political use, sexually explicit or pornographic use, illegal copying or pirating, harassment, spreading computer viruses, and other restrictions. Additionally, the policy states, "Frequent or extensive non-job-related use of IT resources is not permissible." Examples found of inappropriate use include the following:

- One of the former Chief's computers contained a significant number of files which indicated it was used for a personal family business.
- Some of the former Chief's equipment contained files soliciting campaign donations, and possibly other campaign activities, which is prohibited in *Utah Code* 20A-11-1203.
- The former Deputy Chief's computer contained thousands of pornographic images.
- The former Deputy Chief's improper use of his UFA computers likely resulted in a \$600 plus payment using UFA funds for ransomware.
- Significant personal use and frequent use by family members on both the former Chief's and former Deputy Chief's computers.

In addition to inappropriate personal use, we found significant personal use of the in-home and laptop computers. Specifically, the in-home computers appeared to be primarily for personal and family use. While working remotely, UFA employees can access network drives through UFA's virtual private network (VPN). VPN log-in records show that neither the former Chief nor former Deputy Chief ever accessed UFA servers through use of the VPN, thus reinforcing our assessment

⁸ UFA policy Volume I, Chapter 2, Section 1 "I.T. Use Policy"

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that these devices were of limited business use. The attempts to delete and wipe all electronic devices before returning them to UFA would indicate that the former Chief and former Deputy Chief did not want their computer use scrutinized, particularly since any business information would have been property of UFA.

Also, UFA could provide no indication that the various cameras were used for business purposes. The excessive technology purchases provided more of a personal benefit rather than serving a predominately business purpose.

Recommendations:

We recommend the Board:

- **Recover the cost of excessive personal use of technology assets from the former Chief and former Deputy Chief.**
- **Refer the misuse of public funds and the improper use of public funds for electioneering by the former Chief to law enforcement for possible criminal investigation.**
- **Refer the misuse of public funds and other potential illegal activities by the former Deputy Chief to law enforcement for possible criminal investigation.**

18. FORMER DEPUTY CHIEF USED UFA VEHICLE FOR SIGNIFICANT PERSONAL USE

The former Deputy Chief was provided with the use of a UFA vehicle. At the time of his separation, the former Deputy Chief drove a 2015 Chevrolet Suburban owned by UFA with a purchase price of \$47,807. Between January 2012 and July 2016, the former Deputy Chief averaged 30,016 miles per year, 12,244 more than the former Chief. We estimated that his commute would require no more than 12,700 miles per year. Based upon our interviews with the former Deputy Chief and other UFA personnel as well as our analysis of the former Deputy Chief's daily routine and work responsibilities, his miles driven indicate significant personal use above and beyond commute use.

The employment agreement for the former Deputy Chief states that the Deputy Chief will be provided "at his discretion ... a monthly car allowance of \$500 ... or the use of a UFA vehicle ... [of] a type and in a condition consistent with the Deputy Fire Chief's status in the UFA." The employment agreement does not specifically state whether personal or commute use of UFA vehicles is allowed, but it would be reasonable to assume that personal commute use would be included. Existing UFA vehicle policy titled "Staff Vehicle Assignment and Use" allows de minimis personal use in certain circumstances. The former Deputy Chief's vehicle usage was subject to that policy. While the former Deputy Chief believed he was allowed unlimited personal use of his vehicle, neither his employment agreement nor UFA policy explicitly stated such.

Also, we noted that the former Chief did not review the actual cost of vehicle use relative to the vehicle allowance amounts in the contract. Clearly, the cost of the actual use exceeded the \$500 allowance within the employment agreement. The chief should review the underlying

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assumptions and periodically monitor use to ensure compliance with existing policy as well as to validate usage justifications.

For example, if the justification for use is due to frequent callouts, then reviewing the actual frequency of those callouts is important feedback. During the audit, the Board chair and former Chief explained that the justification for the former Deputy Chief having a vehicle, including personal use of his vehicle, was to allow for immediate response to emergencies. We obtained callout logs which documented that the former Chief responded to only 2 emergency incidents during the period January 2012 through July 2016.

The former Chief was responsible for ensuring the former Deputy Chief's compliance.

Recommendations:

We recommend the chief:

- **Ensure the deputy chief complies with the "Staff Vehicle Assignment and Use" policy.**
- **Recover from the former Deputy Chief the cost of excessive personal vehicle use in violation of UFA policy.**
- **Monitor the reasonableness of vehicle use by the deputy chief.**

BOARD FAILED TO PROVIDE PROPER OVERSIGHT

19. THE BOARD FAILED TO PROVIDE ADEQUATE OVERSIGHT OF THE FORMER CHIEF

We found that Board members, until recently, generally had little or no knowledge of various questionable expenditures. Board members explained that they "trusted" the former Chief. Generally, the Board did not request and review detail information. As a whole, the Board was overly trusting of the former Chief which resulted in (1) a blind spot, (2) being overly deferential, (3) not holding the former Chief accountable, and (4) a culture where concerns were not reported by others in the organization. Ultimately, this created a dysfunctional Board.

When a governing body fails to provide appropriate oversight, they leave decisions in the hands of managers who have the ability to make decisions which favor their personal interests rather than those of the entity. This audit uncovered numerous examples where the Board's failure to properly hold senior management accountable resulted in the inappropriate use of public funds.

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The Board's failure to provide oversight allowed senior management⁹ to abuse their position by "overriding" policies or procedures for personal gain. Because a subordinate is much less likely to question the suspicious activity of a supervisor, the Board must directly monitor the financial activity and internal controls that are performed directly by senior management.

Additionally, our review of purchase card expenditures made by the former Chief and former Deputy Chief found charges for numerous meals with certain Board members. The frequency and amount of these meals is concerning because it may (1) indicate an effort by the former Chief to "groom" Board members or (2) show an expectation of certain Board members to be "dined" by the former Chief.

The Board allowed the abuse of position and authority noted in this report because past and current Board members too often failed to perform their duties of providing oversight of the former Chief. Appropriate oversight includes:

- Encouraging open and candid discussion among Board members.
- Reviewing existing policies and compliance with those policies.
- Reviewing the chief's compliance with established operating parameters.
- Identifying and monitoring areas where senior management could override established policies for their personal benefit.
- Exercising appropriate skepticism of senior management including:
 - Setting aside beliefs about the integrity of management—recognizing that even good people may make bad decisions.
 - Adopting an attitude that acknowledges fraud risks.
 - An alertness to fraud risk factors.
 - A willingness to ask difficult questions, particularly in regards to monitoring performance.
- Establishing a whistleblower program that includes:
 - A process to confidentially and anonymously report potentially improper acts.
 - A mechanism to report potentially improper acts directly to the Board without being filtered by management or other entity personnel.
 - Assurances that concerns will be properly considered.
 - Protecting complainants from retribution.
 - Encouraging a culture which views whistleblowing as a valuable contribution to protecting workplace integrity.
- Developing a feedback network that extends throughout senior management where questions regarding areas susceptible to management override are discussed.

Due to their positions on multiple boards and councils, the Board members should have known common government practices and responsibilities. The Board's failure to provide appropriate oversight appears to be caused by a decision to defer to the former Chief—due to their implicit trust in him.

⁹ Senior management includes Executive Administration and other high level members of UFA management. Executive Administration is comprised of UFA's chief, deputy chief, chief financial officer (CFO), chief legal officer (CLO)

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Recommendations:

We recommend:

- Any Board member who continued to excuse improper behavior despite mounting information of that behavior resign from the Board.
- Any Board member who is unable or unwilling to provide sufficient time to provide adequate oversight resign from the Board.
- Every remaining Board member commit to exercising their governance responsibilities with appropriate skepticism and sufficient independence of management.

20. BOARD CULTURE IMPAIRED EMPLOYEES' AND BOARD MEMBERS' WILLINGNESS TO COMMUNICATE QUESTIONABLE ACTIVITY TO THE BOARD

During the course of our audit, we questioned several individuals regarding why they did not communicate to the Board improper activity regarding the former Chief, former Deputy Chief, or other members of senior management. The common theme was that Board members were unquestionably loyal to the former Chief. We concur with the perception that the Board would not take allegations seriously. Certain individuals also feared retribution for reporting allegations of improprieties. We believe these concerns were valid.

Recommendations:

We recommend the Board:

- Establish the Board as a governing body willing to hold management accountable.
- Encourage candid discussions among Board members to identify and resolve organizational weaknesses.
- Establish an anonymous whistleblower program.

21. FORMER CHIEF'S POSITION ON COUNTY COUNCIL IMPAIRED BOARD MEMBERS' WILLINGNESS TO QUESTION HIM

The former Chief's position on the Salt Lake County Council (Council) created a situation where Board members were (1) loyal to him or (2) feared him.

The former Chief's service on the Council put him in a position of respect among elected officials, particularly those on the Board. This sense of respect engendered a sense of loyalty to the former Chief. This loyalty instilled a belief that the former Chief should not be questioned.

Additionally, the former Chief's service on the Council put him in a position where Board members were concerned that negative actions against the former Chief could result in Council decisions that could adversely impact a Board member or that member's host entity (e.g., City).

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We believe that most Board members had an attitude of “go along to get along.” We did not identify any threatened or actual punitive action on the part of the former Chief.

The minutes from a January 19, 2016 Board meeting indicate that the former Chief informed the Board of his intent to run for the Council and requested their permission. Three board members expressed concerns about the conflict. While state law may have allowed a closed meeting to discuss the “character or competence” of the former Chief, the Board had this discussion in an open meeting, with the former Chief present, which may have prevented a more candid assessment of the former Chief’s competence to serve in both roles. The Board voted 8-2 to permit the former Chief to run for re-election. The following are the meeting minutes of the discussion:

[The former Chief] informed the board of his intent to run for County Councilmember in Salt Lake County and asked for their permission. Mayor Johnson asked how many hours [the former Chief] spends doing County Council work. [The former Chief] stated that he spends an average of four hours working on council work. Mayor Johnson also asked if [the former Chief] felt that he can do both jobs without compromising one job over the other. [The former Chief] stated that he felt fully comfortable handling both of these positions. Councilmember Snelgrove stated that he sees [the former Chief] serve as the Chief and as a Councilmember and he manages both positions very well and serving in both organizations seem to positive benefit. Mayor Cullimore stated that before [the former Chief] was appointed as the Chief, he had expressed his concerns of having the Chief of UFA being involved in other major duties. It was then decided that Chief will need to inform the board before taking on any major obligations that might distract him from the role of Chief and/or CEO, thus the formal request in today’s meeting to run for re-election. Mayor Cullimore stated that he has the same concerns that he had then. He expressed concerns that all outside distractions, such as a position on the County Council might prohibit [the former Chief]’s ability to run an organization of this size and that there are times when it can be a conflict of interest. Mayor Cullimore suggested that the Governance Committee take a look at this issue and that he would be willing to renegotiate [the former Chief]’s salary to help compensate for the loss of County Council compensation. Mayor McAdams stated that UFA is a major organization and regardless of who the Chief is, he would prefer and encourage the Chief of UFA to be highly engaged in civic activities to further the work and involvement in the community. Mayor Seghini stated that with the current changes in the new townships and cities, it is imperative to have a Chief that is able to understand these issues and protect UFA’s service area. Mayor Seghini stated that she had never personally noticed a conflict of interest with [the former Chief] being the Chief and a County Council member. Mayor Dahle stated that he echoed Mayor Cullimore’ s concerns in [the former Chief] serving in both capacities and would strongly suggest that the Governance Committee look at the structure of UFA to ensure that we have the staff in place to protect the organization. Mayor Cullimore asked that the board do their due diligence to make sure that the decision being made be made in the best interest of the organization. Mayor Cullimore suggested that the Board wait 30 days before giving [the former Chief] the approval to move forward so they might discuss the subject further. Mayor Pengra stated that he is in support of [the former Chief] running for County Council, but also sees the issues that Mayor Cullimore and Mayor Dahle have expressed. He informed that Board that he believes that [the former Chief]

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would be more than capable to balance both of these positions without it compromising either position. The Governance Committee agreed to look at these issues and look at the guidelines, roles and responsibilities of the administration. Mayor McAdams made a motion to approve [the former Chief] to run for re-election for Salt Lake County Councilmember. Mayor Seghini seconded the motion and Councilmember Stewart asked for a roll call vote:

Dahle-No

Pollard-Yes

Stewart-Yes

Cullimore-No

Moser-Yes

Johnson-Yes

Snelgrove-Yes

Seghini-Yes

McAdams-Yes

Pengra-Yes

Motion passed.

Other than concerns expressed by a few board members, the minutes highlight a limited desire on the Board to seriously consider the conflict and concerns with the former Chief simultaneously serving on the Council. We note that this discussion followed the preceding month's Board action regarding the former Chief improperly awarding himself and the former Deputy Chief incentive awards in violation of his employment agreement.

Recommendations:

We recommend the Board:

- **Ensure that activity outside of UFA employment does not interfere with the interests of UFA.**
- **Frankly discuss concerns regarding these types of conflicts.**
- **Prohibit the chief from serving in any position which could significantly impair the workings of member entities, including any such perception.**

22. FORMER CFO AND FORMER CLO FAILED TO ADEQUATELY INFORM THE BOARD OF ONGOING CONCERNS

The former Chief Legal Officer (CLO) stated he informed the former Chief of concerns regarding incentive awards which were largely dismissed. In addition, the former Chief Financial Officer

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(CFO) informed the former Chief of various financial concerns which were also largely dismissed. However, both the former CLO and former CFO failed to adequately inform the Board of concerns until allegations became public. While some members of the Board believe that the former CLO and former CFO worked directly for the Board, it is abundantly clear that in practice the former CLO and former CFO reported to the former Chief who also controlled their compensation and terms of employment. Furthermore, emergency response organizations (police, fire, etc.) often have a culture that demands loyalty. Because of UFA's strong chain of command, the former CLO and former CFO felt they could not circumvent the former Chief (and former Deputy Chief). In this type of culture, it is especially important for the Board to have unfiltered communication from key individuals to ensure that loyalty is not rewarded over integrity.

In order to improve the Board's oversight of senior management, the former CFO and former CLO should be appointed by the Board. UFA Rules, Policies, and Procedures Exhibit K - 1.b states that, "Merit-exempt administrative employees may be appointed by the Board and shall include a fire chief and such other administrative positions which by their nature are confidential or key policy making or both...". This provision appears to reinforce our recommendation since the former CFO and former CLO hold "confidential or key policy making" positions. Having the Board appoint individuals to these positions and set their compensation and terms of employment should facilitate a freer flow of information to the Board from these key positions.

The former CLO routinely provided legal counsel to the Board, leading them to believe he represented their interests. However, there was a conflict between his representation of the Board and the former Chief, specifically related to incentive awards. As an attorney representing local governments for many years, the former CLO should have known that *Utah Code* 11-13-516 prohibited a board chair from unilaterally approving expenditures without authorization from the full board. Also, the CLO prepared the former Chief's employment agreement and should have known that only the full board was authorized to increase his compensation. Despite violations of the law and employment agreement, the former CLO failed to inform the Board. His failure to inform the Board of potential violations may have been caused by a conflict in representing the Board's interests versus the former Chief's interests, as well as his personal interest since he also received incentive awards approved by the former Chief. These conflicts may violate the rules of professional conduct established by the American Bar Association as well as the Public Officers' and Employees' Ethics Act found in *Utah Code* 67-16-4.

Recommendations:

We recommend the Board:

- **Appoint, establish compensation for, set the terms of employment for, and perform the evaluations of the CFO and CLO.**
- **Consider filing an ethics complaint against the former UFA CLO with the Utah State Bar Office of Professional Conduct for a potential violation of the Rules of Professional Conduct due to a conflict of interest created by the former UFA CLO representing the Board, former UFA Chief, and his own personal financial interests.**

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23. FORMER BOARD CHAIRS ILLEGALLY APPROVED INCENTIVE AWARDS WITHOUT FULL BOARD AUTHORIZATION

From January 2011 to December 2015, three separate former Board chairs gave unilateral approval of a combined \$20,000 in incentive awards for the former Chief. These incentives were given in violation of the former Chief's employment agreement and appear to violate the law.

The former Chief's employment agreement states that, "The Board may, at its sole discretion, increase the Base Salary, compensation and other benefits as it deems appropriate." There are no provisions in the contract nor Board policy authorizing anyone other than the Board to increase the former Chief's compensation.

Utah Code 11-13-516 states that, "An interlocal entity shall make an expenditure or incur an obligation according to the purchasing procedures established by an interlocal entity by resolution and only by order or approval of a person duly authorized." Since the Board has not adopted a resolution authorizing a board chair to give sole approval for incentive awards, any expenditure for these awards violates this law. Also, we believe it would be improper for the Board to allow its chair to unilaterally make these decisions.

The former Board chairs failed to exercise appropriate review. The former Board chairs also exceeded their authority granted by the Board. When a board chair acts on behalf of a board it should be only after the board has legally authorized such action. The former Board chairs should have known they lacked the authority to make this type of unilateral decision. These illegal actions effectively caused the Board to believe it was "painted into a corner" regarding the improper incentive pay.

Recommendations:

We recommend:

- **The Board consider pursuing reimbursement of the improperly authorized incentive awards from the former Chief and possibly from the former Board chairs who acted outside the scope of their authority.**
- **The Board participate in training regarding the appropriate powers and duties of board members, including chairs.**
- **Future Board chairs operate within the law and within the duties delegated by the Board.**

24. BOARD RATIFIED INCENTIVE AWARDS TO THE CHIEF AND DEPUTY CHIEF DESPITE SERIOUS BREACHES OF CONTRACT

From 2011 through 2015, the former Chief and former Deputy Chief received combined incentive payments of \$103,000 (including the \$20,000 noted in Finding 23 above) and \$105,000, respectively, in violation of their respective employment agreements. The employment agreements each state that, "The Board may, at its sole discretion, increase the Base Salary,

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compensation and other benefits as it deems appropriate.” There are no provisions in the employment agreements authorizing anyone other than the Board to increase the former Chief or former Deputy Chief’s compensation.

The Board consulted with external legal counsel and were advised of breaches of the former Chief’s and former Deputy Chief’s employment agreements.

During the December 2015 Board meeting, the Board approved a resolution (by a vote of 9-3) recognizing that certain incentive pay received by the former Chief and former Deputy Chief violated Section 3 (“Performance of Duties”) of their employment agreements. We found they were also in violation of Section 4 (“Compensation”) of their employment agreements. Despite multiple breaches over multiple years and the fact the incentive pay was kept from Board review and approval, the Board passed a resolution ratifying all previous incentive payments to the former Chief and former Deputy Chief and resolved not to assert breach of contract against the former Chief and former Deputy Chief. The employment agreements provide that the former Chief and former Deputy Chief may be terminated for cause if a significant breach of contract occurs. Given the frequency, magnitude, and manner in which these incentive payments were awarded, we believe the payments constituted a significant breach of the employment agreements, and that these breaches should not have been so quickly dismissed by the Board.

We found the justification stated in the Board’s resolution to be invalid or inconsistent with information identified in our analysis. While the resolution focuses on violations of Section 3 of their employment agreements, the former Chief and former Deputy Chief were clearly in violation of Section 4 of those agreements.

Also, the statement in the resolution that “any work done...by the Chiefs was known to a majority of the members of both Boards” is contrary to our findings through interviewing Board members. In addition, nearly all Board members indicated that they were unaware of incentive payments at the time the incentives were paid.

Finally the resolution stated that incentives were “...approved consistent with previously approved UFA practices.” This was clearly not accurate.

The resolution’s failure to identify the lack of the Board’s approval for the additional compensation paid to the former Chief and former Deputy Chief as a breach of the employment agreements indicates that the Board failed to fully evaluate the magnitude of these breaches.

The Board’s resolution to ratify past payments rewarded inappropriate activity, failed to enforce accountability, and sent a message that contracts and Board directives are simply suggestions to be followed when convenient. If another employee fails to follow policy, it will be difficult for the Board or management to hold them to a different standard. This Board action demonstrates a failure to promote a culture of integrity and ethical values.

Recommendations:

We recommend the Board:

- **Avoid actions that reward improper or illegal activities.**

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- **Void the resolution and demand repayment by the former Chief and former Deputy Chief.**

25. BOARD AWARDED \$134,876 IN SEVERANCE PAYMENTS TO THE FORMER DEPUTY CHIEF AND FORMER CHIEF DESPITE SUSPICIONS OF FRAUDULENT ACTIVITY

On July 19, 2016, the Board awarded the former Deputy Chief \$42,206 in severance pay and benefits upon separation from UFA. The minutes from that meeting excuse the former Deputy Chief from his duties effective immediately. These payments were provided despite prior breaches of contract as well as ongoing concerns regarding financial improprieties.

On August 16, 2016, the Board awarded the former Chief \$92,670 in severance pay and benefits. The minutes from that meeting report that internal auditors had been hired, as previously authorized by the Board, to look into “credit card charges, fuel card charges, travel-related expenses, conferences attended, etc.,” specifically as they relate to the former Chief and former Deputy Chief.

With suspicions of improper activity, and given the information available to the Board at that time, we question why the Board did not proceed with termination for cause. The employment agreements contained provisions for termination for cause that included “willful fraud or defalcation, either of which involved funds or other assets of the UFA.” It would have been straightforward for the Board to ascertain whether those conditions had been met. In the event of a termination for cause, neither the former Chief nor former Deputy Chief would have been entitled to severance payments.

The Board’s response appears to focus on dismissing the problems rather than promptly and thoroughly addressing and correcting them.

Recommendations:

We recommend the Board:

- **Avoid actions that reward improper or illegal activities.**
- **Be judicious in the use of severance pay, especially where likely breaches of contract exist.**
- **Consider recovering severance pay from the former Chief and former Deputy Chief.**

26. BOARD VIOLATED THE OPEN AND PUBLIC MEETINGS ACT WHEN IT APPROVED SEVERANCE PAYMENTS

The agenda for the July 19, 2016 and August 16, 2016 Board meetings, which approved the severance payments to the former Deputy Chief and former Chief, respectively, did not provide “reasonable specificity” that the Board planned to take official action approving severance. In addition, the notice for the August 16, 2016 Board meeting was published only 15 hours before

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the meeting was scheduled to commence. *Utah Code 52-4* “Open and Public Meetings Act” (OPMA) is designed to allow the public the opportunity to observe a governmental entity’s deliberations and formal actions. *Utah Code 52-4-202* states that, “A public body shall give not less than 24 hours’ public notice of each meeting” and that the agenda “shall provide reasonable specificity to notify the public as to the topics to be considered.”

We referred this matter to the Office of the Attorney General’s Civil Review Committee (CRC) who is charged with investigating and remedying violations of OPMA. In a letter from the CRC to UFA dated October 20, 2016, the CRC stated that while the minutes “state that a motion was made to enter into a separation agreement with [the former Chief] ... The CRC could not find any reference in the posted agenda that would give public notice of the topic of considering, or dealing with the position of UFA Chief...” This letter validated our concern of a potential OPMA violation.

We note that the Board has access to full-time legal counsel and is comprised of seasoned public officials who are required by *Utah Code 52-4-104* to receive annual training on the requirements of OPMA. As such, they should understand the basic requirements of OPMA.

By not providing 24 hours’ notice and not listing the topic of the severance agreements on the agendas, the public had a very limited opportunity to observe and provide input on how taxpayer funds would be used.

Recommendation:

We recommend the Board comply with OPMA.

27. LACK OF CLEAR CONTRACTUAL ARRANGEMENT EXISTED BETWEEN UFSA AND UFA

As noted in the Background section of this report, beginning January 1, 2007, UFA assumed administrative support for UFSA. Prior to May 2016, there was no written agreement between UFSA and UFA clarifying duties that UFSA expected UFA to perform on its behalf. Also, the eight members of the UFSA board comprise the majority of the members of the UFA Board. These two factors resulted in a significant blurring of the lines of responsibility and cross organizational activities between UFSA and UFA which created the following issues:

- Actions taken by the UFSA board chair resulted in the former Chief making unauthorized payments to himself. UFA policy does not authorize a legally separate organization (UFSA) to approve payments from UFA funds.
- Actions taken by the former Chief resulted in improper payments to the former Deputy Chief.
- Confusion regarding actions performed by UFA employees and whether those actions should have been billed to UFSA.

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- Questions as to whether and to what extent certain members of UFA’s Executive Administration should have received separate compensation for activities supporting UFSA or whether those duties were simply part of their UFA duties.

We believe a clear and detailed contract could have largely clarified the duties that UFSA expected UFA to perform on its behalf and would have created a framework to resolve other issues as they arose. A formal Memorandum of Understanding (MOU) was not entered into until May 2016.

UFSA’s arrangement was directly with UFA. It was not directly with any individuals who were also UFA employees.

UFSA meeting minutes show that the UFSA Board appointed certain members of UFA’s command staff (hereinafter referred to as “Executive Administration”) to serve in effectively the same positions on behalf of UFSA.¹⁰ However, no other action was taken to implement these appointments, define responsibilities, or provide compensation and a method of payment. It is significant to note that UFSA never took the basic step of making those individuals employees of UFSA. In addition, the conflict of interest forms submitted to UFA by its former Chief and former Deputy Chief do not list any employment arrangement with UFSA. As such, the Executive Administration were never employees of UFSA. Therefore, UFA operated in a subcontractor-like relationship whenever it provided support to UFSA. This relationship is important because it dictates that any work performed by UFA on UFSA’s behalf should be paid by UFSA directly to UFA and not steered by UFSA to any specific employee of UFA.

Prior to the commencement of our audit, UFSA had not directly compensated any individuals who were members of the Executive Administration. Instead, UFSA pays an administrative fee to UFA. As such, UFSA’s informal agreement for UFA services above and beyond baseline services is directly with UFA.

The former CLO’s and former CFO’s employment agreements with UFA specify that they may receive additional compensation for support of UFSA. Specifically, the agreements state:

The parties acknowledge that the [CLO/CFO] has been and may continue to be assigned duties relating to the [legal affairs/financial management] of the Unified Fire Service Area. Such work shall be considered as separate from the work for the UFA required under this agreement and shall not relieve the [CLO/CFO] from the faithful performance of [his/her] duties under this agreement. Work performed by the [CLO/CFO] for the Service Area shall be subject to such compensation as may be agreed upon by the Fire Chief and the [CLO/CFO].

The last sentence of this clause allows UFA’s chief to determine with the CLO/CFO the amount of additional compensation they will receive for work these employees perform on behalf of UFSA. This clause further supports the position that UFSA’s agreement was directly with UFA

¹⁰ UFA Chief was appointed UFSA CEO Sept. 15, 2009. UFA Deputy Chief was appointed UFSA COO Oct. 20, 2009. CLO was appointed UFSA Legal Counsel March 16, 2010. We found no record of UFSA’s explicit appointment of the former CFO. UFSA appointed its current CFO January 2016.

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not with any individuals who were UFA employees. Neither the former Chief's nor former Deputy Chief's employment agreements contain a similar clause.

Recommendations:

We recommend UFA revise its MOU with UFSA:

- **Establish the services UFA will provide and the rates UFSA will pay for those services (both baseline and enhanced administrative services), including the methodology for UFA to bill UFSA for administrative, operational, and other activities.**
- **Identify quantifiable methods, such as timecards, receipts, and other reliable documentation, which should be used to track expenses incurred by UFA on behalf of UFSA.**
- **Create policies and controls for the review and monitoring of expenses incurred by UFA on behalf of UFSA.**

28. CURRENT MOU CONTAINS WEAKNESSES THAT FAIL TO ADEQUATELY CLARIFY THE UFA/UFSA ARRANGEMENT

In May 2016, UFSA and UFA adopted an MOU to define "the sharing of resources between UFA and [UFSA]." Unfortunately, that MOU fails to address significant risks or implement safeguards that protect against conflicts created by the UFSA/UFA arrangement. These conflicts include the following:

- The MOU allows for the Executive Administration to be directly compensated as employees of UFSA, creating risks that are difficult to effectively mitigate. For example, administrative decisions by an individual employed by both entities may favor one entity over the other, such as the allocation of administrative costs to UFSA which includes estimates that may be subject to bias. We believe the agreement should clearly dictate that any work performed by UFA on UFSA's behalf should be paid by UFSA directly to UFA and not steered by UFSA to any specific UFA employee.
- Because UFSA is the largest member of UFA and the interlocal agreement forming UFA specifies that UFA will provide baseline services to members, the line between UFA and UFSA duties can be difficult to clearly differentiate. The agreement should state that UFSA will provide extra compensation to UFA only for work that is clearly outside the scope of UFA baseline responsibilities and clearly delineate that scope.
- The current agreement does not specify the services to be performed by UFA personnel on behalf of UFSA and when these services will occur. As a result, there exists both the perception and possible occurrence of an individual being "on the clock" for both entities simultaneously. It is important that the agreement defines the specifics, including the timing, of UFA services performed on behalf of UFSA so that they do not interfere with the full discharge of UFA responsibilities.

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- The MOU does not establish quantifiable outcomes which measure performance and award compensation accordingly. Without quantifiable outcomes, an appropriate review and approval cannot be conducted that protects against the inherent conflict of having individuals set their own compensation.

We recognize that a benefit exists for UFSA to use the Executive Administration for administrative services due to their expertise and the coordination that must occur between the two entities. Rather than creating separate agreements with each member of the Executive Administration, the MOU should clearly establish an agreement between UFSA and UFA to provide support services, and UFA should direct, monitor, and compensate its employees, as appropriate.

Recommendation:

We recommend UFA revise its MOU with UFSA to dictate that any work performed by UFA on UFSA's behalf be paid by UFSA directly to UFA and not steered by UFSA to any specific UFA employee.

29. BOARD FAILED TO ENSURE FORMER CHIEF COMPLIED WITH UFA VEHICLE USE POLICY

The former Chief was provided with the use of a UFA vehicle. At the time of his separation, the former Chief drove a 2015 Chevrolet Suburban owned by UFA with a purchase price of \$46,852. Between January 2012 and July 2016, the former Chief averaged 17,772 miles per year. We estimated that his commute would require no more than 5,900 miles per year.

The employment agreement for the former Chief states that the Chief will be provided "at his discretion ... a monthly car allowance of \$500 ... or the use of a UFA vehicle ... [of] a type and in a condition consistent with the Fire Chief's status in the UFA." The employment agreement does not specifically state whether personal or commute use of UFA vehicles is allowed, but it would be reasonable to assume that personal commute use would be included. The existing UFA vehicle policy titled "Staff Vehicle Assignment and Use" allows de minimis personal use in certain circumstances. The former Chief's vehicle use was subject to that policy.

Also, we noted that the Board did not review the actual cost of vehicle use relative to the vehicle allowance amounts in the contracts. Clearly, the cost of the actual use exceeded the \$500 allowance within the employment agreement. The Board should review the underlying assumptions and periodically monitor use to ensure compliance with existing policy as well as to validate usage justifications.

For example, if the justification for use is due to frequent callouts, then reviewing the actual frequency of those callouts is important feedback. During the audit, the Board chair and former Chief explained that the justification for the former Chief having a vehicle, including personal use of his vehicle, was to allow for immediate response to emergencies. We obtained callout logs which documented that the former Chief responded to only 3 emergency incidents during the

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period January 2012 through July 2016. All of those incidents occurred during normal business hours.

The Board was responsible for ensuring the former Chief's compliance. The former Chief was responsible for ensuring the former Deputy Chief's compliance.

Recommendations:

We recommend the Board:

- **Ensure the chief complies with the "Staff Vehicle Assignment and Use" policy.**
- **Ensure the chief enforces compliance within UFA for the "Staff Vehicle Assignment and Use" policy.**
- **Recover from the former Chief the cost of excessive personal vehicle use in violation of UFA policy.**
- **Monitor the reasonableness of vehicle use by the chief.**
- **Review the UFA "Staff Vehicle Assignment and Use" policy to ensure it meets Board expectations.**

30. BOARD FAILED TO APPROPRIATELY ADOPT OR ADEQUATELY REVIEW UFA POLICIES AND PROCEDURES

There is a lack of clarity regarding instances in which the Board has delegated authority to the former Chief to adopt or amend policies versus instances in which the Board has retained this authority. Minutes from the January 2006 Board meeting authorize the Chief or his designee to approve "operational" policies. However, the term "operational" is not clearly defined and allows for broad interpretation.

During the tenure of the former Chief, almost all policies adopted or amended during that period were promulgated by the former Chief, including several policies related to litigation and personnel which should have been adopted by the Board. UFA policy, Volume I, Chapter 3, Section 2000 ("Legal Effect and Approval of Policies") states that, "The Board shall approve all new or revised Personnel Policies and Procedures." Despite this statement, we noted five personnel policies approved by the former Chief without the Board's approval. Also, the Board failed to perform periodic reviews of established policies.

The Board should clearly define any authority delegated to another individual and periodically monitor the delegated activity to ensure that the authority has not been abused and is exercised in accordance with their intent. The Board should also establish a schedule to regularly review and update policies as appropriate. This regular review should focus particularly on policies which provide favorable benefits to the chief.

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Recommendation:

We recommend the Board:

- Clearly define which policies may be adopted by the chief.
- Monitor the delegated activity for compliance with Board intent.
Establish a schedule to regularly review and update policies.

UFA EXPERIENCED OPERATIONAL WEAKNESSES

31. MANAGEMENT MADE UNAUTHORIZED BUDGET ADJUSTMENTS INCLUDING CONCEALING INCENTIVE AWARDS

We reviewed budget adjustments from January 2012 through July 2016 and found that \$27,562,112 in adjustments were made by management without Board authorization. These adjustments comprised a significant portion of the budget. For example, for fiscal year 2015 these adjustments comprised 14% of the adopted budget. It appears that management used budgets as suggestions rather than binding financial constraints in which the organization was required to operate.

Utah Code 11-13-518¹¹ (effective May 12, 2015) and *Utah Code* 10-6-124¹² (prior to May 12, 2015) require that all budget amendments be approved by the Board. State law allows the Board to delegate the authority to make budget amendments to certain individuals in certain circumstances. UFA could provide no indication that the Board has taken formal action delegating the authority to make any budget amendments. Therefore, these adjustments are illegal, having been made without the authorization of the Board.

Unapproved budget amendments may be used by management to conceal certain expenditures from the Board. For example, in January 2006 the Board adopted policy Volume I, Chapter 3 Section 6120 (“Employee Incentive Procedure”) and required all “awards” to be separately reported in the budget. The only logical line item in the budget for these expenditures was “Awards & Banquet.” We found that UFA paid out incentive awards in excess of amounts budgeted in that line item, disregarding Board action. A more appropriate approach would have been a clearly defined line item such as “Incentive Awards” which was never created. These actions had the effect of concealing the issuance of incentive awards from the Board.

¹¹ *Utah Code* 11-13-518, allows UFA to “...establish policies for ... the transfer of any unencumbered or unexpended appropriation balance or portion of the balance from one account in a fund to another account within the same fund.” [Emphasis added]

¹² *Utah Code* 10-6-124 allows certain budget adjustments with the approval of a “budget officer.” *Utah Code* 10-6-106(5) defines the budget officer as, “the mayor or some person appointed by the mayor with the approval of the city council.”

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Recommendations:

We recommend senior management only make budget adjustments within limits prescribed by the Board and State statute.

We recommend the Board compare the formally adopted budget to year-to-date expenditures to ensure funds are spent as authorized by the Board.

32. SENIOR MANAGEMENT RESPONDED TO CONCERNS REGARDING FAILURE TO FOLLOW POLICY IN A HOSTILE MANNER

We obtained memos, emails, and signed statements by UFA employees detailing interactions with various members of senior management communicating concerns over repeated failures to follow UFA policies and other internal controls.¹³ Senior management appears to have repeatedly dismissed, and in some cases condemned, the individuals raising the concerns and enforcing the policies. The following are excerpts from these documents.

- A memo from the former CFO to the former Chief and another member of senior management, dated March 6, 2007, expressed concerns that the personal use of UFA vehicles may be a taxable fringe benefit. No corrective action was taken.
- Another memo from the former CFO to the former Chief and another member of senior management, dated April 11, 2007, again expressed concerns that the personal use of UFA vehicles may be a taxable fringe benefit. No corrective action was taken.
- UFA received a GRAMA request for the former Chief's credit and p-card purchases dated September 18, 2015. According to a signed statement by two UFA employees, written at the time of the incident, the former Chief sent his administrative assistant to obtain the original records. The purchasing manager asked the administrative assistant to sign a log indicating that she was taking original documents. The signed statement indicates that the former Chief yelled, swore, and threatened Finance Division staff for requiring his administrative assistant to follow the check-out policy. This is an egregious example of management overriding internal controls, where an individual ignores policies or procedures which do not suit his or her interests. Management override is a serious concern because audit procedures are generally unable to detect these occurrences, bringing into question the reliability of all internal controls of the entity.
- In a February 2008 email exchange between the former CFO and an assistant chief, the former CFO requests procedures that outline when fees are charged to students of a CPR class and when they are not. The assistant chief responded, "There isn't one. It all depends on who, where [sic] and where we are teaching." The assistant chief was dismissive and failed to recognize the control weakness, such as the opportunity for the class instructor to

¹³ The term "internal controls" is used to describe processes put in place by the governing body, management, or others to provide consistent and efficient operations, including reasonable assurance that funds will be properly safeguarded. The "log" referred to in this finding is an internal control designed to account for the location of original records.

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receive a class fee, indicate that the fee has been waived on the class roll, and keep the money.

Recommendations:

We recommend the Board:

- **Directly monitor controls subject to management override.**
- **Adopt a zero-tolerance approach when controls are overridden.**
- **Establish an anonymous whistleblower program.**

33. FORMER DEPUTY CHIEF APPROVING FORMER CHIEF'S P-CARD PURCHASES IS AN INEFFECTIVE CONTROL

The questionable and excessive p-card purchases noted above were the partial result of an ineffective review process. The former Deputy Chief approved the p-card purchases of the former Chief, but appeared to provide minimal review and seemed to not question any transactions. This is a poor control since a subordinate is less likely to question a supervisor's unusual purchases. This also creates the opportunity for both the former Chief and former Deputy Chief to reciprocate the allowance of questionable charges.

One of the responsibilities of the Board or its Finance Subcommittee is to review and approve the chief's expenditures and to review various other expenditures of the organization.

Recommendation:

We recommend the Board or a subcommittee of the Board review the expenditures of any direct report, including reviewing original p-card statements and original receipts for appropriate use.

34. FORMER CHIEF OVERLY TRUSTING OF FORMER DEPUTY CHIEF

Although the former Chief was responsible for approving the former Deputy Chief's p-card expenditures, the former Chief did not conduct adequate reviews of p-card statements and reimbursement requests, resulting in excessive, improper, or potentially illegal expenditures. When questioned, the former Chief explained that he "trusted his people." Trust is not an adequate financial control. The former Chief's blind trust resulted in a failure to adequately perform his administrative responsibilities.

Recommendations:

We recommend the Board:

- **Ensure the chief understands that when he approves expenditures he accepts responsibility for the appropriateness of those expenditures.**

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- **Ensure the chief exercises a healthy sense of skepticism when reviewing expenditures.**

35. FORMER CHIEF AUTHORIZED INCENTIVE AWARDS WHICH EXCEEDED POLICY

From January 2011 to December 2015, the former Chief authorized incentive awards of \$83,000 to the CLO and \$79,000 to the CFO which exceeded the \$1,000 maximum amount per award authorized by policy. UFA incentive award policy 2.1.4 states that, “The Fire Chief or designee may also offer cash awards in any amount, as long as it does not exceed \$1,000.”

Section 4 of the employment agreements for the CFO and CLO stated:

The Fire Chief may, at his sole discretion, increase the Base Salary, compensation and other benefits as he deems appropriate. If the Base Salary is increased by the Fire Chief, it shall not be decreased thereafter during the Employment Period.

It appears the former Chief misused the incentive award program to increase compensation for the former CFO and former CLO, where he was otherwise authorized to increase their compensation.

Recommendation:

We recommend the Board recover the \$162,000 in incentive awards improperly granted by the former Chief.

36. ASSISTANT CHIEFS BILLED UFA FOR BASEBALL SPRING TRAINING JUNKET

Two Assistant Chiefs went to Phoenix, with the former Chief and former Deputy Chief, at the invitation of a former and future contractor and Phoenix-based architectural firm. The stated business purpose was to visit fire stations and architectural designs. The itinerary provided us by the contractor showed the trip consisted of only one day’s worth of business activities.

The two Assistant Chiefs billed UFA for what was predominately a junket, misrepresenting the true purpose of the trip. A day trip would have been reasonable given the limited business itinerary. Additionally, we question whether the attendance of the Assistant Chiefs was even necessary given the attendance of the former Chief and former Deputy Chief. The Assistant Chiefs billed UFA for travel from March 3, 2013 to March 8, 2013. The itinerary was as follows:

Date	Daily Itinerary
March 3	Travel Day
March 4	Personal Day
March 5	Personal Day, Spring Training Baseball
March 6	UFA Business, Visiting Fire Stations
March 7	Personal Day – Golf
March 8	Travel Day

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The average cost of airfare to Phoenix booked through the State of Utah Travel Office during the same time period was \$307. The \$307 plus pro rata daily meal per diem of \$53.25 (75% of \$71) would have resulted in a day trip cost of approximately \$360 per person or a total cost of \$720 rather than the approximately \$2,234 incurred, resulting in at least \$1,514 of unnecessary costs.

Knowingly claiming a business expense for personal purposes misrepresents the purpose of the travel, resulting in personal financial gain. Merriam-Webster defines fraud as (a) the “intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right” or (b) “an act of deceiving or misrepresenting.”

These improper reimbursements appear to violate *Utah Code* 76-10-1801 “Communications fraud” which states:

Any person who has devised any scheme or artifice to defraud another or to obtain from another money, property, or anything of value by means of false or fraudulent pretenses, representations, promises, or material omissions, and who communicates directly or indirectly with any person by any means for the purpose of executing or concealing the scheme or artifice is guilty of: ... [misdemeanor or felony]...

An intent on the part of the perpetrator of any offense described ... to permanently deprive any person of property, money, or thing of value is not a necessary element of the offense.

To communicate ... means to: (i) bestow, convey, make known, recount, or impart; (ii) give by way of information; (iii) talk over; or (iv) transmit information.

Means of communication include use of the mail, telephone, telegraph, radio, television, newspaper, computer, and spoken and written communication.

These improper reimbursements appear to violate *Utah Code* 76-8-402 “Misusing public money” which states:

Every ... person charged ... with use of public money commits an offense if the ... person appropriates the money or any portion of it to his own use or benefit or ... knowingly keeps any false account or makes any false entry or erasure in any account or relating to the money.

These Assistant Chiefs signed “Travel Return Forms” requesting the reimbursement, thus making a “false account or entry relating to the money.”

Recommendations:

We recommend the Board:

- **Recover improper expenditures from the two Assistant Chiefs.**
- **Consider promptly terminating the employment of the two Assistant Chiefs who participated in the trip to Phoenix and misrepresented its purpose.**
- **Refer potential misuse of public funds and potential fraudulent representation of expenditures by the Assistant Chiefs to law enforcement for possible criminal investigation.**

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37. ONE ASSISTANT CHIEF REFUSED TO COOPERATE WITH OUR AUDIT

During the course of this audit, we interviewed multiple assistant chiefs. We attempted to interview one Assistant Chief who declined our request. This individual made questionable expenditures, including \$3,161 in unsubstantiated and questionable travel related purchases and \$5,380 in unsubstantiated technology purchases. Ultimately, this Assistant Chief retained an attorney, stating that he would only speak with our office under certain conditions, which we considered unreasonable. This refusal impaired our audit pursuant to *Utah Code 67-3-1(12)*.

Recommendation:

We recommend the Board consider promptly terminating this Assistant Chief's employment.

38. UFA TV FUND OPERATED AS A PERSONAL DISCRETIONARY FUND, LACKING APPROPRIATE OVERSIGHT AND TRANSPARENCY

With the consent of individual employees, UFA deducts money from employees' paychecks and distributes it to a "TV Fund." The TV Fund is used to pay for televisions, cable/satellite subscriptions, and newspapers in UFA's fire stations. Until December 2009, the TV Fund was controlled by the former Deputy Chief, who held a different senior management position at the time. UFA could provide no accounting for the funds, nor could the former Deputy Chief provide an accounting for the funds. An individual previously jointly responsible for the TV Fund claimed he was never allowed to see financial records. Firefighters were never provided with an accounting of the use and disposition of those funds. UFA claims they were not responsible for the funds. We consider this arrangement completely inappropriate.

We conducted interviews and obtained certain bank records in an attempt to account for the use of TV funds while under the control of the former Deputy Chief. We were able to obtain some bank records and noted the following unusual items:

- During 2008 there were cash withdrawals totaling \$11,435, which is a highly irregular method of payment for legitimate TV Fund purchases. This is an indication of improper personal use.
- When responsibility for the TV Fund was transferred, the former Deputy Chief provided two checks drawn from two different banks, rather than simply transferring the account. This is unusual and was likely an attempt to prevent others from reviewing past transactions. Due to the lack of oversight, limited records, and the passage of time, we were unable to verify the appropriate use of funds prior to 2009.

Since 2009, the TV Fund has been controlled by a single individual with a small review panel. Simply having more people involved likely has improved oversight, but weaknesses still exist. UFA Finance Division does not currently provide any direct or indirect oversight of how the TV Fund operates.

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Recommendation:

If UFA chooses to utilize a “TV Fund,” we recommend UFA be responsible for the collection, expenditure, and reporting of those funds.

39. UFA PAID UNSUPPORTED AND QUESTIONABLE TRAVEL EXPENDITURES

We reviewed p-card purchases for 21 individuals from January 2012 through July 2016. These individuals included 7 assistant chiefs, and other UFA employees with high p-card usage. Six of the 21 individuals made travel related purchases that lacked adequate documentation. Adequate documentation would include a receipt and an explanation of the business purpose, usually documented on an approved UFA travel form. Unsupported travel purchases totaled \$22,083. We also identified certain transactions that we question because the expenditure appears to violate policy or law or appears unreasonable and does not reflect the actions a prudent person would take in the circumstances.

The table below identifies questionable expenses by job title. The examples do not comprise an all-inclusive list. In order to avoid duplication, we did not include amounts of questionable purchases reported in other findings.

Title	Unsupported Amount	Examples of Questionable Expenses
5 Assistant Chiefs	\$18,348	<ul style="list-style-type: none"> • \$226.48 more than authorized to spend on three night hotel stay in St. George. • \$351.97 for rental car without explanation of purpose. • \$997.40 for airfare without authorization or explanation of purpose. • \$748.65 for hotel stay without authorization or explanation of purpose.
2 Battalion Chiefs	\$3,735	<ul style="list-style-type: none"> • \$1,983.08 for lodging without authorization or explanation of purpose. • \$324.46 hotel stay in Sandy, Utah without authorization. • \$500.60 airfare without authorization.

None of the travel purchases noted were supported by a UFA Travel Request form. UFA Policy Volume II, Chapter 2, Section 10 “Business Travel” states that:

“... travel may not actually occur until the Travel Request Form has been signed by the Deputy Chief or the Fire Chief. The Division Commander is responsible for ensuring that travel is appropriate, reasonable and necessary to the mission, responsibilities, or duties of UFA. Under no circumstances may an individual approve his or her own Travel Request Form. A Travel Request Form must be filled out with all known applicable costs as soon as the information is available. If possible, the form should be submitted no later than 30 days prior to the travel date.”

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Recommendations:

We recommend the chief:

- **Ensure that those who approve expenditures understand that when they approve expenditures they accept responsibility for the appropriateness of those expenditures.**
- **Ensure that those who approve expenditures ensure compliance with policies and procedures.**
- **Seek reimbursement for egregious noncompliance; otherwise, issue reprimands and expect future compliance.**

40. EXCESSIVE SPECIAL EXCEPTIONS WEAKENED INTEGRITY OF TRAVEL POLICY

We noted several instances where the former Chief amended the travel policy. These amendments appeared to result from incidents where (1) senior management was informed of a violation of the existing travel policy or (2) senior management encountered a travel policy they considered inconvenient. These amendments granted favorable treatment to certain travelers, while likely placing additional costs on UFA.

Area	Original Policy	Events/Incidents	Changed Policy
Airline Seat Upgrades	<i>UFA Business Travel Policy, April 4, 2011–</i> “UFA will reimburse only coach-class tickets aboard a regularly scheduled commercial carrier for both domestic and international flights.”	On September 10, 2013, Finance Division questioned the appropriateness of various upgrades for “Economy Comfort” and priority boarding considering them a “luxury” upgrade. The former Deputy Chief indicated they should not be considered a luxury and should be reimbursed.	<i>UFA Business Travel Policy, April 20, 2015–</i> “Allowed Incidental Travel Expenses (with approval from the employee’s Division Commander or the Fire Chief or Deputy Chief)” including “Early Boarding option fees” as well as “Economy upgrade fees” among other things. <i>UFA Business Travel Policy, June 15, 2016–</i> “Allowed Incidental Travel Expenses” including, “United Airlines Economy Plus or Delta Airlines Economy Comfort upgrade fees if flight is over two hours (paid in advance by Travel Coordinator)” and “Southwest Airlines Early Bird Check-In” among other expenses. Additionally, “Allowed Incidental Travel Expenses (with pre-approval from the Fire Chief or Deputy Chief)” including, “Early Boarding option or upgrade fees not listed in 7.1.1” among other expenses.

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Area	Original Policy	Events/Incidents	Changed Policy
Lowest Airfare	<i>UFA Business Travel Policy, April 4, 2011–</i> “In each case, every effort must be made to obtain the lowest fare possible.”	Non Stop Flights: <ul style="list-style-type: none">• New York, NY 2011• Atlanta, GA 2011 (Chief, Deputy Chief)• Emmitsburg, MD 2011• Phoenix, AZ 2013 (Chief, Deputy Chief)• Chicago, IL 2013 (Chief)• Washington, DC 2013• St Louis, MO 2014• Dallas, TX 2014 (Chief, Deputy Chief)• Denver, CO 2015	<i>UFA Business Travel Policy, April 20, 2015–</i> “In each case, every effort must be made to obtain a reasonable fare (i.e. nonstop flights versus multi-stop flights may be permitted even if the fare is more).”
Car Rentals	<i>UFA Business Travel Policy, April 4, 2011–</i> “UFA will reimburse for a rental car when there is a business justification or when there is no other means of comparable transportation.” Additionally, “Car rentals may be used when the overall cost of the rental is less than the cost of other means of transportation.” The reimbursement is limited to “intermediate or mid-size” vehicles. Lastly, “All authorized drivers must be listed on the car rental contract.”	Car rentals: <ul style="list-style-type: none">• Washington, DC, October 2012: Full Size• Phoenix, AZ, March 2013: Full Size• Indianapolis, IN, April 2013: Full Size• Chicago, IL, August 2013: Full Size SUV• Washington, DC., December 2013: Full Size• Dallas, TX., August 2014: Full Size	<i>UFA Business Travel Policy, April 20, 2015–</i> “Whenever Division Commanders, the Fire Chief or the Deputy Fire Chief travel, they are approved for rental cars. Car rental is generally expected to be for intermediate or mid-size classifications...although the Fire Chief or Deputy Chief may approve larger vehicles or vans when groups of people are traveling together or there is a business need.” <i>UFA Business Travel Policy, June 6, 2016–</i> “Car rentals are generally expected to be for intermediate or full size classifications for individual travelers.” <i>UFA Business Travel Policy, April 20, 2015–</i> Removal of “All authorized drivers must be listed on the car rental contract.”
Privately Owned Vehicles	<i>UFA Business Travel Policy, April 4, 2011–</i> “The lower of the normal discounted airfare...or the mileage at the prevailing IRS standard mileage reimbursement amount for miles to and from using the shortest highway route, will be paid.”	Anaheim CA, 2014: Chief and Deputy Chief drive separately in UFA Suburbans in order to take family. Using IRS standard mileage rate, the cost of driving would be \$764, while the cost of a flight is typically between \$200 and \$500.	<i>UFA Business Travel Policy, April 20, 2015–</i> Removal of “the lower of the normal discounted airfare or”.

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Area	Original Policy	Events/Incidents	Changed Policy
Personal Credit Card Charges	<i>UFA Business Travel Policy, April 4, 2011–</i> Charges that must be on P-Card, <ul style="list-style-type: none"> • Flights • Lodging • Conference Registration • Rental Car 	Personal Credit Card Used: <ul style="list-style-type: none"> • Emmitsburg, MD., September 2011: Flight • Denver, CO., August 2012: Rental Car • Washington, DC., October 2012: Flight • Chicago, IL., August 2013: Flight, Baggage Fee • Washington, DC., December 2013: Flight, Rental Car • Dallas, TX., August 2014: Flight, Baggage Fee 	<i>UFA Business Travel Policy, April 20, 2015–</i> Personal Card can be used, <ul style="list-style-type: none"> • Flights • Lodging • Conference Registration • Rental Car
Deputy Added to Exceptions	None		<i>UFA Volume II, Chpt 1, Section 3, Subsection 1.1, January 16, 2015)–</i> “The final authority for policy adoption, change or revision of UFA Policies and Procedures typically rests with either the Unified Fire Authority (UFA) Board or the Fire Chief.” “Non-voting, exofficio members” should, “include the Deputy Chief.”

Recommendations:

We recommend the Board:

- **Clearly define which policies may be adopted by the chief.**
- **Ensure the chief or the chief’s designee does not have the ability to adopt or modify policies that potentially favor his/her personal interests.**
- **Monitor delegated actions for compliance with Board intent.**
- **Establish a schedule to regularly review and update policies.**

41. FAILURE TO REPORT PERSONAL VEHICLE USE AS TAXABLE INCOME

The former Chief, former Deputy Chief and, as of July 2016, approximately 65 other UFA employees were assigned UFA vehicles which were used for commute and de minimis personal use. Under IRS regulations, the portion of personal vehicle use (including applicable commute use) should be reported as a taxable fringe benefit. IRS publication 15-B states that, “Personal use is any use of the vehicle other than use in your trade or business.” This amount must be included in the employee’s wages or reimbursed by the employee. We noted that the CFO expressed concerns that UFA’s practice could fail to meet IRS guidelines. UFA could provide only limited information regarding their research of this issue.

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UFA apparently believes personal use is exempt from taxation under the IRS designation of a “Qualified nonpersonal use vehicle.” This exemption requires that the vehicle be “Clearly marked, through painted insignia or words, police, fire, and public safety vehicles.” The only markings on the former Chief, former Deputy Chief, and many other senior management vehicles was a four inch marking, similar in color to the vehicle, on the left and right side rear windows. Information obtained during the course of the audit indicated attempts to minimize the vehicle markings. We reviewed the practices of State Fleet Management in regards to these circumstances. We do not believe the former Chief’s, former Deputy Chief’s, and certain other UFA vehicles meet the IRS criteria of “clearly marked public safety vehicle.” As such, the personal use of those vehicles should be subject to taxation.

The IRS also classifies certain vehicles as “compensation vehicles” under certain conditions. Compensation vehicles are subject to taxation as well. The former Chief’s and former Deputy Chief’s vehicles usage likely fall under this designation. Their employment agreements stated that, “at [their] discretion ... a monthly car allowance of \$500 ... or the use of a UFA vehicle ... [of] a type and in a condition consistent with their status in the UFA.” The employment agreements indicate that the vehicles are provided as part of the former Chief’s and former Deputy Chief’s compensation.

We noted two memos from the former CFO to the chief prior to the former Chief and another member of senior management dated March 6, 2007 and April 11, 2007 expressing concerns that the personal vehicle use of UFA vehicles may be a taxable fringe benefit.

Recommendations:

We recommend UFA:

- **Understand IRS requirements for taxable vehicle use.**
- **Comply with IRS requirements.**
- **Report taxable vehicle use.**
- **Review legal or tax concerns brought to management’s attention.**

42. FAILURE TO REPORT VEHICLE BENEFIT TO THE UTAH PUBLIC FINANCE WEBSITE

As noted above, UFA allows certain employees to use UFA vehicles for commute and personal use. This use meets the definition of “Gross Compensation” found in *Utah Code 63G-2*. *Utah Code 63G-2-103(12)* defines gross compensation as “...every form of remuneration payable for a given period to an individual ... including ... payments in kind, and any similar benefit received from the individual's employer.” As such, UFA should annually determine the value of the compensation benefit it provides through its employees’ personal and commute use of UFA vehicles. The value of that benefit should be reported as compensation on the Utah Public Finance Website in accordance with *Utah Code 63A-3-4*.

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Recommendation:

We recommend UFA determine the value of its employees' personal and commute use of UFA-owned vehicles and publicly disclose the value of this compensation on the Utah Public Finance Website.

43. NEWLY ADOPTED MEAL POLICY CONTAINS WEAKNESSES

The meal policy established by the former Chief in November 2015 contains various weaknesses:

- No organization-wide limits on meals.
- Certain individuals may set meal limits for their portion of the organization.
- Certain individuals are exempt from approvals.
- Exemptions to documentation requirements for any committee of which the chief or deputy chief are a member.

Well-written policies allow employees to clearly understand their responsibilities, understand the predefined limits within which they may exercise those responsibilities, and consistently carry out their responsibilities.

Recommendations:

We recommend the Board adopt a strong meal policy that:

- **Defines circumstances when meals are allowed.**
- **Establishes a per-person threshold for meals.**
- **Ensures that the business purpose for meals is properly supported with a receipt, indication of those present, and an explanation of the business purpose, without exceptions.**

44. FAILURE TO REPORT CERTAIN MEALS AS TAXABLE INCOME

We reviewed p-card purchases for 23 UFA employees from January 2012 through July 2016. These individuals included the former Chief, former Deputy Chief, 7 assistant chiefs and other employees with high p-card use. We found numerous meal charges which were questionable given the frequency, amount, and lack of documentation supporting the business purpose. For example, 58% of the dollars spent on meal purchases by the former Chief (totaling \$9,127) and 42% of the dollars spent on meal purchases by the former Deputy Chief (totaling \$6,284) lacked documentation justifying the business purpose. We found the following:

- The former Chief, former Deputy Chief, and a former Board Chair spent \$431 on a meal at Spencer's, for themselves and their wives in 2012 on the night the former Chief won re-election to the Salt Lake County Council. Spencer's is located in the same hotel where the Republican Party held its election night celebration. We question the business purpose for this meal.

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- The former Chief, former Deputy Chief, former Board Chair, and the former UFSA clerk spent \$156 on New Year's Eve (December 31, 2013) for what they claimed was a "District Budget Meeting." Given that it was New Year's Eve, we question the business justification for this meal.
- The former Chief and former Deputy Chief used UFA funds to purchase 88 meals for the part-time former UFSA clerk, who was also the former Chief's county council policy advisor. The frequency of these meals appears unnecessary in regards to UFA business.

IRS guidance found in 26CFR §1.274-5 describes what documentation is necessary to justify the business purpose of expenditures. It explains that evidence such as a receipt establishing the essential character of the expenditure plus an explanation of the business purpose generally is sufficient to support the business purpose.

We also noted a high frequency of meals for certain employees. IRS publication 15-B states that, "You can exclude any occasional meal you provide to an employee if it has so little value (taking into account how frequently you provide the meals to your employees) that accounting for it would be unreasonable or administratively impracticable."

Two emails from the former CFO to the former Deputy Chief and Command Staff, dated March 22, 2011 and September 30, 2014, expressed concerns that the frequency of and individuals participating in the meals may require reporting the meals to the IRS as a taxable fringe benefit. UFA does not have any mechanism to monitor its compliance regarding taxable meals.

As a result of these weaknesses in UFA procedures, certain meals should have been considered taxable benefits and the frequency of other meals might also be considered taxable benefits.

These taxable benefits are a form of compensation which should be reported to the Utah Public Finance Website in accordance with *Utah Code* 63A-3-4.

Recommendation:

We recommend the Board, when required by the IRS, ensure that meals provided to employees are reported as taxable income. In those cases, we recommend UFA report that compensation to the Utah Public Finance Website.

45. FORMER CLO'S AND FORMER CFO'S EMPLOYMENT AGREEMENTS PROVIDED UNNECESSARY BENEFITS

The employment agreements of the former CLO and former CFO provided for clothing and vehicle allowances. From January 2012 to July 2016, the former CLO and former CFO received vehicle allowances of \$31,200 and \$27,900, respectively, and clothing allowances of \$3,650 and \$3,680, respectively.

The former CFO and former CLO are not sworn firefighters and are not required to wear a specific uniform. Also, their positions require minimal business travel.

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Recommendation:

We recommend the Board eliminate vehicle and clothing allowances from the employment agreements of the CFO and CLO.

46. COLLECTOR RIFLES PURCHASED WITHOUT EXERCISING APPROPRIATE DUE DILIGENCE, RAFFLE MAY HAVE VIOLATED ANTI-GAMBLING LAWS

In March 2012, the former Deputy Chief purchased two rifles totaling \$2,334.98 with UFA funds at the suggestion of a former Board chair. The former Deputy Chief stated the intent was to donate the proceeds of a raffle for the rifles to the University of Utah Burn Center's pediatric summer camp.

The raffle never occurred. The former Deputy Chief explained that they felt the "timing was not right" due to a mass shooting in a nearby state. The former Deputy Chief explained that due to the political climate, the timing continued to not be appropriate for UFA to raffle the guns. A raffle could have violated *Utah Code 76-10-1101* which defines gambling as "risking anything of value for a return or risking anything of value upon the outcome of a contest ... when the return or outcome is based upon an element of chance. ... Gambling includes a lottery..." This law further defines a lottery as "any scheme for the disposal or distribution of property by chance among persons who have paid ... any valuable consideration for the chance of obtaining property... whether called a lottery, raffle, or gift enterprise, or by whatever name it is known."

The former Board chair, former Chief, and former Deputy Chief failed to consider the legal issues associated with this purchase.

Recommendations:

We recommend:

- **The Board approve any charitable donations made by UFA.**
- **UFA avoid engaging in any lottery which could be a violation of State statute.**
- **UFA avoid buying firearms for gifts.**

47. COLLECTOR RIFLES IMPROPERLY STORED BY FORMER DEPUTY CHIEF

Despite the fact that UFA had an armory, the former Deputy Chief initially stored the collector rifles in his office. He later stored the collector rifles at his home, expressing concerns about safety. This is inappropriate behavior since UFA had a gun safe near the former Deputy Chief's office that was capable of safely storing these rifles.

Upon separation from UFA, the former Deputy Chief returned the collector rifles in his UFA vehicle. He did not secure them with the UFA armory. We examined the rifles inside what appeared to be their original packaging. These collector rifles were not included on an asset tracking log. UFA should have had a record of who had the rifles and where they were stored.

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Recommendations:

We recommend UFA:

- **Inventory and track assets, such as firearms.**
- **Properly secure firearms.**
- **Provide training to any personnel responsible for a UFA-owned firearm.**

48. UFA GRANTED P-CARDS TO AN EXCESSIVE NUMBER OF EMPLOYEES

UFA assigned p-cards to 130 employees, representing approximately 20% of its employees. From January 2016 to July 2016, 16 employees had not made any purchases and 31 averaged less than \$40 per month.

The number of p-cards should be minimized since they present a higher risk for inappropriate use. P-cards rely on post-approvals rather than pre-approvals. They also require additional supervision to ensure that purchases are appropriate and may result in a “pay-n-chase” scenario when the entity must recover money for improper purchases. In some instances, requiring employees to use their own credit card to make purchases and subsequently seek reimbursement may reduce risk.

Recommendation:

We recommend UFA reduce the number of p-cards issued to those who have a compelling business purpose.

49. FAILURE TO INVENTORY AND TRACK CERTAIN TECHNOLOGY PURCHASES

For the period January 2012 through July 2016, we reviewed p-card transactions for 23 UFA employees, including the former Chief, former Deputy Chief, seven Assistant Chiefs, and other UFA employees with high p-card usage. During this period, 13 employees made technology-related purchases totaling \$93,769. The former Deputy Chief spent over \$7,000 for small dollar electronic items, such as headphones, speakers, GPS, phone cases, keyboards, cables, etc.

Other technology purchases included:

- 4 individuals purchased tablets – 2 of the 4 purchased 3 tablets each
- An assistant chief purchased two iPads on the same day
- 8 individuals purchased 24 tablet cases and 33 phone cases
- An assistant chief spent \$1,034 on iPad data over two years
- An assistant chief spent \$887 on cables and adapters over two years.

UFA maintained no record of who was assigned these items.

None of these purchases included the signature of the Comms/IT Battalion Chief as required by a “UFA Purchasing Process” procedure (flowchart). UFA policy does not clearly identify the

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purpose of the Comms/IT Battalion Chief's review. This review might have identified excessive or unnecessary purchases.

The UFA IT department tracks certain technology assets that it purchases. This allows the IT department to track the assignment and return of these assets. However, almost none of the technology equipment returned by the former Chief and former Deputy Chief had been tracked by the IT department.

Because many technology purchases were not approved by the Comms/IT Battalion Chief or tracked by the UFA IT Department, UFA assets could have been lost or stolen without detection.

Recommendations:

We recommend:

- **The Board ensure appropriate policies and procedures exist regarding the acquisition, tracking, use, and return of technology assets.**
- **UFA monitor compliance with applicable policies and procedures.**

50. UFA SHOULD AVOID PRE-PAYING PER DIEM AND SHOULD ADOPT THE STATE TRAVEL RATES

Current UFA practice provides that meal per diem is advanced prior to travel. This can result in per diem being over or under paid when travel plans change. We noted several occurrences requiring UFA to recover overpayments. Except in rare circumstances of financial hardship, we recommend reimbursing per diem expenses as part of the post-travel reconciliation.

UFA sets its travel rates (lodging and per diem) at the federal GSA rates. These rates are typically higher than the State of Utah's travel rates. For example, when traveling to St. George, UFA allows for \$91 in lodging and \$46 in meals while the state travel rates allow \$85 in lodging and \$41 in meals (breakfast: \$10, lunch: \$14, dinner: \$17).

Recommendations:

We recommend UFA:

- **Avoid pre-paying per diem for travel.**
- **Adopt state travel rates.**

51. FOREIGN TRAVEL SHOULD BE APPROVED BY BOARD

UFA personnel traveled to Morocco (10 trips for 16 unique employees), and to Kyrgyzstan (1 trip for 6 employees) at the request of the Montana and Utah National Guards. Nearly all Board members were unaware of the purpose and location of this foreign travel. In addition, most Board members could not identify how these trips benefitted UFA. Board members should determine whether foreign travel is appropriate and whether it serves a compelling UFA interest.

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We also found that no formal agreement existed between UFA and the Utah National Guard (UNG). In fact, the reimbursement arrangement was between the UNG and UFA personnel, individually. For example, UFA personnel would charge expenses to their UFA p-cards or their personal credit card. They would submit their expenses to the UNG for reimbursement. The UNG would directly reimburse each traveler. Those travelers would then partially or fully reimburse UFA.

Recommendations:

We recommend the Board:

- **Pre-approve any official foreign travel.**
- **Review the appropriateness of UFA personnel paying their own travel expenses when representing UFA.**
- **For official travel, ensure proper agreements exist with the sponsoring organization.**

SCOPE AND LIMITATIONS

On August 4, 2016, during the course of this audit, the State Auditor became aware that his adult son, who does not live with the State Auditor, interviewed for the position of Firefighter Paramedic at the Unified Fire Authority (UFA). This son has been a full-time firefighter for two years, working previously as a part-time firefighter and as an emergency medical technician. This son was unaware that the Office of the State Auditor was conducting an audit of UFA, learning of the audit on the morning of his scheduled interview, from an article in the Salt Lake Tribune. The State Auditor promptly notified this audit's Director (Audit Director) of the potential conflict.

This son was hired by UFA and successfully graduated from UFA's 15-week Recruit Academy. The State Auditor informed several UFA board members, including board leadership, of this potential conflict on the day of that graduation or shortly thereafter.

Upon learning of the potential conflict, the State Auditor allowed the Audit Director to set the scope of this audit and breadth and depth of its fieldwork. The Audit Director was not limited in reporting any findings or recommendations within this audit.

During this audit, the State Auditor performed his various duties. The State Auditor met with various UFA board members. The State Auditor met with UFA's internal auditors and reviewed their report. The State Auditor facilitated coordination with the Office of the Attorney General (OAG). The State Auditor issued a "Notice of Suspension" to UFA triggered by action taken by the OAG. While the State Auditor reviewed and assisted with the final editing of this report, that involvement occurred after his son was hired and had successfully completed Recruit Academy.

Unified Fire Authority Board of Directors Official Response to:

UFA Board

Sheldon Stewart
Chair
Riverton

Christopher Pengra
Vice Chair
Eagle Mountain

Kelvyn Cullimore
Cottonwood Heights

Coralee Moser
Herriman

Larry Johnson
Taylorsville

Sam Granato
Salt Lake County

Paul Glover
Midvale

Ben McAdams
Salt Lake County

Jeff Silvestrini
Millcreek

Richard Snelgrove
Salt Lake County

Tom Pollard
Alta

David Dobbins
Draper

Robert Dahle
Holladay

Findings and Recommendations For The Period January 1, 2011 Through July 31, 2016 (Report No. SSVF-17-Spa)



January 17, 2017

BOARD MESSAGE TO STATE AUDITOR AND STAFF

The members of the Unified Fire Authority Board of Directors (“the Board”) wish to extend our gratitude to the Office of the Utah State Auditor and its staff. While the circumstances that have led to the need for the audit of the Unified Fire Authority (“UFA”) are regrettable, we acknowledge its necessity and the benefit of the work that has been completed by the Office of the Utah State Auditor and its staff. The Board believes that the findings and recommendations contained in the report will be invaluable in determining the appropriate actions to take in its continuing efforts to strengthen the management and oversight of Unified Fire Authority.

We are deeply troubled and disappointed with not only the volume of findings, but also the specific actions and behaviors of the executive leadership as detailed within the report. The Board recognizes that, to varying degrees, each Board member placed trust in the executive leadership’s ability to fulfill their fiduciary responsibilities in leading the organization. The audit findings indicate that the Board’s trust was not only misplaced, but was taken advantage of by the former Chief and Deputy Chief. The violation of that trust likely enabled them to operate in a manner that was both wholly unacceptable to any prudent person and, in several instances, potentially contrary to State law. It is also clear from the audit that existing policies, procedures, challenges mounted by employees and Board members, Board expectations, and State laws did not serve to adequately constrain the inappropriate behavior of the UFA’s former executive leadership.

In spite of the executive leadership’s obfuscation of their actions as described in the report, the Board also acknowledges that its role was then, and is now, to provide effective oversight and to prevent mismanagement of the UFA from occurring. In recognition of the findings of this audit, we offer our sincere apology to the taxpayers, to the public we serve, and to the UFA employees for any role played by the Board in failing to detect and stop the inappropriate behavior of executive management outlined in this audit report.

The Board members would also like to clearly communicate that we take our responsibilities very seriously. We believe our dedication is evident through the aggressive actions we have taken since some of these issues became known to Board members and will be further demonstrated by the corrective actions we will take in response to the audit. Since becoming aware of these issues, the Board has acted decisively to move the organization forward in the most responsible manner. It should be noted that many of these efforts were shouldered directly by Board members and staff without the benefit of an executive leadership team being in place. Some of the actions taken by the Board and staff include:

- Initiation of an internal forensic audit to guide appropriate organizational changes and corrective actions. The results of that audit will be released concurrent with the State Auditor’s report.
- Replacement of the former Chief Legal Officer (“CLO”) and former Chief Financial Officer (“CFO”) with a new reporting structure to increase accountability.

- Negotiated an early termination of the former Chief's employment agreement, initiated a national hiring search, and hired a new Chief utilizing a strong employment agreement.
- Strengthening policies governing travel, purchasing card ("P-card") transactions, accounting practices, budgeting, hiring, and incentive pay.
- Updates to the Memorandum of Understanding to strengthen accountability for work performed by UFA on behalf of Unified Fire Service Area ("UFSA").
- Conducted an interim budget review to identify cost savings, increase accountability, and enhance the sophistication of the annual budget process.

While a tremendous amount of work has been completed, we recognize that there is much more work to be done. We remain dedicated to strengthening the organization and commit ourselves to working with a sense of urgency to take further action as indicated in the **Board Response to Findings and Recommendations** found on the following pages.

BOARD RESPONSE TO FINDINGS

The Board of Directors of Unified Fire Authority acknowledge receipt of the State Auditor's report of Findings and Recommendations and have provided responses to these findings below. UFA, in its response to this audit acknowledges the provided perspective by the report on potential issues, including policy, planning, management, budget, accounting, purchasing, human resources, information technology, labor relations and risk management. We have prepared this document in response to the audit report delivered on January 17, 2017.

FORMER CHIEF AND DEPUTY CHIEF PUT PERSONAL INTERESTS OVER ORGANIZATION INTERESTS

Findings 1-18

RESPONSE: *The findings represented in the report identify multiple instances where the Former Chief and Former Deputy Chief have misused public funds, breached their employment contracts, broken existing policies, unilaterally changed policies to suit their purposes, provided preferential treatment to family members, misrepresented personal purchases as business related, improperly used technology resources, failed to properly document travel expenses, and improperly used vehicles for significant personal use.*

While the actions to be taken, and the actions already taken that are listed below, do not represent an exhaustive list of remedies, the actions listed do represent a proactive plan for correcting deficiencies and allowing additional actions to be taken as they are deemed necessary.

Actions to be taken:

- 1. The Board will consult with legal counsel and deliberate as to the best course of action regarding possible referral of the matters to the relevant authorities for potential criminal investigation of the former Chief and Deputy Chief relative to potential violations of the following laws: Utah Public Officers and Employees Ethics Act (Utah Code 67-16), misusing public money (Utah Code 76-8-402), violation of State nepotism laws (Utah Codes 52-3-1(2) & 52-3-1(1)), communications fraud (Utah Code 76-10-1801), and electioneering (Utah Code 20A-11-1203).*
- 2. The Board will consult with legal counsel and deliberate as to the best course of action to potentially recover funds from the former Chief and Deputy Chief as identified in findings 1-18.*
- 3. In addition to specific policy changes already identified below, the Board will expeditiously perform, or cause to be performed, a comprehensive review of relevant policies and procedures.*
- 4. All actions noted in this response to findings will be recorded and prioritized so that relevant outcomes can be accounted for and future actions can be properly scheduled and managed.*

5. *Travel and meal policies that are in place and have been updated by the Finance Committee will promptly be brought before the full UFA Board for approval to address concerns with international travel, hotel rates, daily meal per diems, rental car use, travel/expense approval for executive officers, and travel and hotel activities directly related to a conference. Pre-payment of funds for travel will no longer occur except on an exceptional basis with a well-documented process covering pre-paid hotel rooms, rental arrangements, and limited allocations for meals.*
6. *Updated procurement policy will promptly be brought before the UFA Board for approval to address concerns regarding the deficiencies noted by the State Auditor relating to the purchase, sale, storage, and management of technology and other assets acquired by UFA personnel or reimbursed by UFA.*
7. *The Board will promptly perform, or cause to be performed, a review of the current technology policy with UFA IT personnel with the intent that policies/technology changes be implemented to assist in addressing/detecting the areas where policy was violated. This review will also assist in preventing/detecting future violations.*
8. *The Board will promptly review and amend the vehicle use and take-home policy to address the classification and proper accounting of vehicle use in accordance with State law and IRS regulations, including the potential taxation of vehicle related benefits.*

Actions already taken:

9. *Effective January 2016, all bonuses and bonus structures for the executive management team were suspended and policies reinforced requiring full Board approval.*
10. *In addition to Action Step 9, all compensation and hiring of executive staff have either been directed in conjunction with the full Board or a delegated sub-committee of the Board.*
11. *Effective June 2016, new policies related to travel and expense reporting were put into place to address concerns and issues with documentation. Additional documentation procedures are currently being added to address weaknesses noted in the "Missing Documentation Form."*
12. *Effective June 2016, new policies related to nepotism were adopted to bring hiring and supervision policies in line with state law. A current review of current hiring and supervision procedures and practices is ongoing to ensure compliance in the future.*
13. *Effective September 2016, practices for the hiring of the Chief were revised to ensure full Board review and participation as directed and informed by an ad hoc hiring committee consisting of Board members and a labor representative.*
14. *Effective December 2016, all Chief expenses reports are reviewed by the CFO and approved by the CLO with routine reporting of expenses presented to the Finance Committee and Board.*

BOARD FAILED TO PROVIDE PROPER OVERSIGHT

State Auditor Findings 19-30

RESPONSE: *The findings represented in the report identify instances where Board oversight was ineffective in uncovering or preventing executive mismanagement. There are many instances where State law, internal policies and procedures, challenges from board members and employees, and other proactive measures were ineffective in constraining the inappropriate behavior of the UFA's former executive leadership. In spite of this, it is expected that more aggressive demands by the Board, and exercising an appropriate skepticism of senior management may have drawn inappropriate action to the surface more quickly.*

While the actions to be taken, and the actions already taken that are listed below, do not represent an exhaustive list of remedies, the actions listed do represent a proactive plan for correcting deficiencies and allowing additional actions to be taken as they are identified as necessary.

Actions to be taken:

- 15. The Board will consult with legal counsel and deliberate as to the best course of action to potentially recover funds from the former Chief and Deputy Chief and others identified in the report as recommended in findings 19-30.*
- 16. The Board acknowledges and will evaluate the recommendation to file an ethics complaint with the Utah State Bar concerning the former CLO.*
- 17. All actions noted in this response to the findings will be recorded and prioritized so that outcomes can be accounted for and future actions can be properly scheduled and managed.*
- 18. The Board will work to create or cause to be created, a periodic, ongoing training on internal Board member roles, responsibilities, and authorities as identified in State laws and internal policies.*
- 19. In addition to specific policy changes already identified, the Board will expeditiously perform, or cause to be performed, a comprehensive review of relevant policies and procedures.*
- 20. The Board will promptly discuss the potential creation of an anonymous whistleblower/ombudsman policy.*
- 21. An Internal Auditor will promptly be selected/hired that will report directly to the Board.*
- 22. The MOU between UFSA and UFA is currently under review by legal counsel from both agencies and will be completed promptly. This will address the desire by both agencies to contract with UFA for services rendered by individuals within UFA, but with no direct compensation tied to individuals unless required by state law.*
- 23. The Board will promptly discuss and adopt an ongoing policy review schedule. It is expected that the review policy will establish an annual cycle which the Board will perform or cause to be performed by appropriately designated committee(s).*

Actions already taken:

24. *Effective January 2016, all bonuses and bonus structures for the executive management team were suspended and policies reinforced requiring full board approval.*
25. *Effective January 2016, a new CFO, was hired.*
26. *Upon learning of the inappropriate payment of incentives “authorized” by UFSA but paid by UFA without any reimbursement, a reimbursement was immediately negotiated and paid by UFSA to UFA.*
27. *Effective July 2016, the former Deputy Chief resigned with notice. The Board opted to accept the notice of resignation immediately.*
28. *Effective August, 15 2016, the Board executed a mutual separation agreement with former Chief and outside counsel was sought to assist in this process.*
29. *In August 2016, the Board requested Keddington & Christensen, LLC conduct an audit of the expense records of the former Chief and former Deputy Chief.*
30. *Effective August 25, 2016, the CLO, CFO, and Human Resources (HR) Manager were aligned to report to the Board directly until a new Fire Chief could be hired.*
31. *Effective October 2016, the former CLO resigned from UFA.*
32. *Effective November 2016, issues related to the Open and Public Meetings Act (OPMA) were resolved by ratifying prior actions. Additional training and support have been given to Executive Administration with support from the CLO in maintaining compliance.*
33. *Effective November 14, 2016, a new CLO was hired.*
34. *Effective January 17th, 2017, a new Fire Chief was hired.*
 - a. *The Chief’s agreement contains specific language designed to prevent the conflict of interest situations noted by the State Auditor.*
 - b. *New Chief will receive a car allowance rather than the use of a UFA vehicle.*
 - c. *The CFO and HR Manager have be realigned to report to the Chief.*
 - d. *CLO will remain reporting to the Board.*

UFA EXPERIENCED OPERATIONAL WEAKNESSES**Findings 31-51**

RESPONSE: *Through multiple contributing factors, including the example set by executive leadership, the environment within the organization was one that tolerated subversion of policies and controls. The findings represented within the report illustrate the inability of State laws, policies, procedures, or direct challenge by employees or the Board to effectively constrain inappropriate action by the former Chief and Deputy Chief. Under such an environment, operational controls proved ineffective in following common management best practices.*

While the actions to be taken, and the actions already taken that are listed below, do not represent an exhaustive list of remedies, the actions listed do represent a proactive plan for correcting deficiencies and allowing additional actions to be taken as they are identified as necessary.

Action to be taken:

35. *The Board will consult with legal counsel and deliberate as to the best course of action to potentially recover funds from the former Chief and Deputy Chief and other individuals identified in the report as recommended in findings 31-51.*
36. *The Board will promptly discuss the potential creation of an anonymous whistleblower/ombudsman policy.*
37. *In addition to specific policy changes already identified, the Board will expeditiously perform, or cause to be performed, a comprehensive review of relevant policies and procedures.*
38. *Effective September 2016, policies were put in place by the Board Finance Committee that all budgetary changes would need approval by the Committee, with clarifications added in December 2016 establishing limits and levels of review for transfers among funds or cost centers. The policy will be presented to and ratified by the Board promptly.*
39. *The Board will give direction to staff and the Chief to promptly identify any policies that give the Chief or others undue authority to make changes or create exceptions by his or her own authority. These will be evaluated to determine whether to replace such language so that it delegates the ability to approve exceptions to the Board as a whole, Board Chair, Vice Chair, or Finance Committee Chair, as appropriate.*
40. *The Board will evaluate all policies for UFA employee travel, with specific attention paid to travel associated or in conjunction with an existing or potential vendor.*
41. *The new Fire Chief and the Board Finance Committee will work with the President and Executive Board of the IAFF Local 1696 to expeditiously identify a way to effectively handle and manage the activities of the UFA TV Fund and the disbursement of funds directly withdrawn from employees pay for this benefit.*
42. *The CLO and CFO employment agreements will be reviewed promptly, and will address any clothing or vehicle allowances contained therein.*
43. *A Charitable Contribution policy will be created and approved by the Board.*
44. *Policies related to the issuance and management of P-Cards will be reviewed. Deviations to policy will be reviewed by the Board and, where necessary, changes will be made by the Board.*
45. *The Board will promptly facilitate a meeting with the National Guard to address joint international programs and past and future participation in such programs.*
46. *The Board will discuss with the new Fire Chief the proper course of action concerning the Assistant Chiefs identified in the report.*

Actions already taken:

47. *Effective January 2016, all bonuses and bonus structures for the executive management team were suspended and policies reinforced requiring full board approval.*
48. *Effective June 2016, new policies related to travel and expense reporting were put into place to address concerns and issues with documentation. Additional documentation procedures are currently being added to address weaknesses noted in the "Missing Documentation Form."*

SUMMARY

It is clear that the trust accorded to management was not warranted. That trust was bolstered by the relationships between the Chief, as a member of the County Council, and the Board members who are elected officials. It is also clear that the payment of incentives to the top four executive officers done contrary to UFA policy created a clandestine environment that for years perpetrated these misuses of funds. While such collusion was difficult to detect, we were ultimately able to discern the scope and depth of the subterfuge and take appropriate actions as evidenced by the fact none of the four executive officers remain employed by UFA.

We have much work to do to assure that a situation like this never happens again. With the assistance of the State Auditor's report, findings of our own forensic audit, and actions taken over the course of the last year we believe we are poised to move UFA to a higher level of accountability.

We regret most of all that these proceedings reflect negatively on the rank and file of UFA who daily put their lives on the line and are totally accountable for their actions. It should be duly noted that these problems were the responsibility of a few high powered individuals. It is only appropriate that the same level of accountability be applied at the highest levels in UFA as we apply to our firefighters, paramedics and engineers. As we do so, we intend to restore the reputation of the agency and create an employment environment void of cronyism and dishonesty.

We believe that the process we have undertaken will lead us to that conclusion. It will not happen overnight, but it will happen. The Board is committed to it.