



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Yakima-Tieton Irrigation District

For the period January 1, 2020 through December 31, 2022

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**Office of the Washington State Auditor
Pat McCarthy**

April 25, 2024

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Yakima-Tieton Irrigation District from January 1, 2020 through December 31, 2022.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2022, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Procurement – public works projects and architect and engineering services
- Payroll – gross wages
- Accounts receivable – power sales billings
- Accounts payable – general disbursements, credit cards and electronic fund transfer payments
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Yakima-Tieton Irrigation District January 1, 2020 through December 31, 2022

2023-001 The District did not have adequate internal controls in place to comply with state procurement requirements for public works.

Background

Procurement laws are intended to promote openness in government and prevent fraud, collusion and favoritism when awarding public contracts. Management is responsible for establishing effective internal controls to ensure compliance with procurement laws. Missing or inadequate internal controls can hinder the District's ability to comply with these laws.

State law (Chapter 39.04 RCW) requires the District to use a formal sealed bid procedure when awarding contracts for public works projects. District policy allows the use of a small works roster process for public works, which would require formal bidding procedures over the statutory limit of \$350,000. For purchases, state law allows the District to waive certain requirements upon resolution of the Board of Commissioners if the purchase is legitimately only available through a sole source. When claiming this exemption, the District must maintain documentation demonstrating the purchase is legitimately only available through one source. The District must also retain documentation demonstrating that an exemption was authorized by the Board, either through resolution or by policy. Also, sole source exemptions are generally not appropriate for public work projects.

Description of Condition

During the audit period, the District spent about \$833,000 on the French Canyon Silt Removal project and \$571,000 on the epoxy coating canal repair for the Upper Canal project in 2021 and 2022. We identified the following concerns with the procurement of these projects:

French Canyon Silt Removal

The District contracted for public works services for canal repairs within the French Canyon Silt Removal project. The District paid this contractor \$833,000 in fiscal year 2021 and 2022, which required a formal sealed bid process. The District did not formally advertise for this project, but instead selected the contractor after receiving quotes from three contractors.

Upper Canal Project

The District contracted for public works services for an epoxy coating canal repair within the Upper Canal project. The District paid this contractor \$571,000 in 2022, which required a formal sealed bid process. District staff said they relied on the contractor's notification that it was the only contractor that could provide this service. However, the District did not claim a sole source exemption via resolution, as authorized by policy, and did not have documentation to demonstrate this contractor was the only source that could apply this epoxy coating.

Cause of Condition

French Canyon Silt Removal

The District has an established policy that outlines the procurement procedures for formal sealed bids. However, the public works department was unaware of this policy, so staff lacked an adequate understanding of procurement requirements.

Upper Canal Project

The District's procurement policy allows sole source exemptions. District staff incorrectly understood that including this exemption in the policy allowed the District to use it. However, the policy only addresses sole source for purchases, not for public works projects. District staff were also unaware of requirements to formally claim this exemption, and that they had to retain evidence of their verification that this contractor was sole source.

Effect of Condition

When the District does not follow state procurement laws or its own policies, it cannot guarantee all interested contractors had the opportunity to be considered for the public works project or that it received the most competitive prices for the services received. Further, it cannot demonstrate compliance with procurement requirements for public works projects.

Recommendation

We recommend the District implement effective internal controls for procurement processes and provide adequate training to employees responsible for procuring contracts for public works projects. We also recommend the District retain adequate documentation to demonstrate compliance with procurement requirements.

District's Response

Thank you for bringing this matter to our attention. YTID acknowledges we fell short in meeting our internal Purchase & Procurement policy. We should have approved a board resolution to declare emergency exemption from policy on both occasions.

We take this matter seriously and are taking steps to ensure compliance moving forward. We are currently training our staff, reviewing, and updating our internal policies, and putting measures in place to prevent similar incidents from happening in the future.

To ensure future compliance, we are considering the following corrective actions:

- 1. Review and update our internal policies to ensure that they are clear, comprehensive, and up to date.*
- 2. Regularly review our procurement processes to identify areas for improvement and implement changes as needed.*
- 3. Establish clear guidelines and procedures for declaring emergency exemptions from the policy, and ensure that all staff are aware of these procedures.*
- 4. Conduct regular training sessions for staff to ensure that they are aware of the policy and understand the importance of compliance.*
- 5. Implement a system for monitoring compliance with the policy, and establish consequences for non-compliance.*

By taking these steps, we can ensure that our organization remains compliant with our internal purchase and procurement policy and prevent similar incidents from happening in the future.

Thank you for your understanding.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 87.03.435 – Construction work – Notice – Bids – Contracts – Bonds.

RCW 39.04.280, Competitive bidding requirements – Exemptions.

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

The Yakima-Tieton Irrigation District provides irrigation service to 27,900 acres in Yakima County. The District operates a 12 mile main canal and a closed pressure pipe distribution system, which includes a regulating reservoir, six pump stations, two hydroelectric generating facilities and other necessary equipment.

The District is governed by an elected, five-member Board of Directors. In 2020, 2021 and 2022 the District operated on an expenditure totaling \$5.5 million, \$5.1 million and \$6.9 million, respectively.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Yakima-Tieton Irrigation District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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