



Washington State Auditor's Office

Government that works for citizens

Federal Program Audit Report

Sacheen Lake Water and Sewer District

Pend Oreille County

For the period January 1, 2015 through December 31, 2015

Published September 26, 2016

Report No. 1017428





Washington State Auditor's Office

September 26, 2016

Board of Commissioners
Sacheen Lake Water and Sewer District
Newport, Washington

Report on Capitalization Grants for Clean Water State Revolving Funds (66.458)

Please find attached our report on the Sacheen Lake Water and Sewer District's compliance with requirements applicable to Capitalization Grants for Clean Water State Revolving Funds (66.458) in accordance with Title 2 *U.S Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We are issuing this report in order to provide information on specific financial activities of the District.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Sacheen Lake Water and Sewer District
Pend Oreille County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Sacheen Lake Water and Sewer District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Schedule of Expenditures of Federal Awards

We issued an unmodified opinion on the fair presentation of the District’s Schedule of Expenditures of Federal Awards (the financial statement) in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of the financial statement with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statement is prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the Schedule of Expenditures of Federal Awards of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Sacheen Lake Water and Sewer District Pend Oreille County January 1, 2015 through December 31, 2015

2015-001 **The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.**

CFDA Number and Title:	66.458 Capitalization Grants for Clean Water State Revolving Funds
Federal Grantor Name:	Environmental Protection Agency
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Washington State Department of Ecology
Pass-through Award/Contract Number:	EL150110
Questioned Cost Amount:	\$0.00

Description of Condition

During fiscal year 2015 the District spent \$870,668 in Capitalization Grants for Clean Water State Revolving Funds for construction and rehabilitation of its wastewater collection and treatment facility. The objective of capitalization grants is to create and maintain Clean Water State Revolving Funds to encourage construction of wastewater treatment facilities to meet the enforceable requirements of the Clean Water Act and increase the emphasis on nonpoint source pollution control and protection of estuaries.

For Federally funded construction projects with contracts that exceed \$2,000 the Davis-Bacon Act requires contractors to pay federally prescribed prevailing wages to laborers. The Act also requires recipients of federal funds to obtain weekly certified payrolls for all contractors and subcontractors to ensure prevailing wages are paid.

During our audit, we noted the District hired an engineering firm to manage the project, which included ensuring compliance with prevailing wage requirements. The firm hired another agency to perform the collection and review of weekly certified payrolls and the agency established a process to track all contractors and

subcontractors and the dates work was performed to ensure it obtained all weekly certified payrolls. The firm did not have a process to ensure it provided the agency with a complete list of subcontractors used on the project to ensure weekly certified payrolls were obtained and reviewed. The District did not adequately monitor the firm to ensure compliance with the Davis-Bacon Act.

We consider this internal control deficiency to be a significant deficiency.

Cause of Condition

The firm did not provide the agency with a complete list of subcontractors used on the project and, as a result, the agency did not obtain or review weekly certified payrolls for all subcontractors. The agency submitted the weekly certified payroll reports and tracking document to the firm prior to completion of the project; however, the firm did not review the documentation to determine if all reports were obtained and reviewed. Also, the District did not have a process established to ensure the firm obtained all of the weekly certified payroll reports as required.

Effect of Condition and Questioned Costs

Weekly certified payroll reports were not obtained or reviewed by the agency for eight out of 23 subcontractors used on the project that were subject to the Davis-Bacon Act. The reports for seven of the eight subcontractors were subsequently submitted to the engineering firm; however, the firm did not review the reports or update the tracking document to ensure all reports were received. Without adequate internal controls in place to ensure all weekly certified payroll reports are received, the District cannot demonstrate the subcontractors paid workers the prevailing wage as required by the Davis-Bacon Act. The District could be liable for paying additional wages if prevailing wages were not paid.

Recommendation

We recommend the District establish and follow internal controls to ensure all the weekly certified payrolls have been collected and reviewed and ensure compliance with prevailing wage requirements.

District's Response

The District will secure the list of intended contractors to be used as submitted by the general contractor.

The District will require a list of all contractors used on site each week.

The District will ensure that all certified payrolls are turned in prior to issuing payment for work done.

Auditor's Remarks

We appreciate the District's commitment to resolving the issues noted and will follow up during the next audit.

Applicable Laws and Regulations

Title 2 Code of Federal Regulations Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively. . .

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Title 29, Code of Federal Regulations, Section 5.5 – *Contract provisions and related matters*, states in part:

(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor):

(1) Minimum wages.

(i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. . .

(3) Payrolls and basic records.

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work . . .

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency) . . .

(B) Each payroll submitted shall be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . .

(6) *Subcontracts.*

The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the (write in the name of the Federal agency) may by appropriate instructions require, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5

Title 29, Code of Federal Regulations, Section 3.3 – *Weekly statement with respect to payment of wages*, states in part:

(b) Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on the back of Form WH 347, “Payroll (For Contractors Optional Use)” or on any form with identical wording

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Sacheen Lake Water and Sewer District
Pend Oreille County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Sacheen Lake Water and Sewer District
Colbert, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Sacheen Lake Water and Sewer District, Pend Oreille County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

We noted certain matters that we will report to the management of the District in a separate letter dated September 19, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2015-001 that we consider to be significant deficiencies.

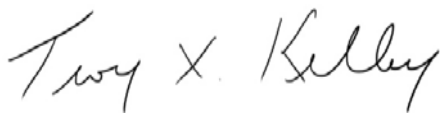
We also noted certain matters that we will report to the management of the District in a separate letter dated September 19, 2016.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 1, 2016

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEFA

Sacheen Lake Water and Sewer District

Pend Oreille County

January 1, 2015 through December 31, 2015

Board of Commissioners
Sacheen Lake Water and Sewer District
Colbert, Washington

REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the accompanying Schedule of Expenditures of Federal Awards for the Capitalization Grants for Clean Water State Revolving Funds (66.458) program of the Sacheen Lake Water and Sewer District, Pend Oreille County, Washington, for the year ended December 31, 2015, and the related notes (the financial statement).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement of the program based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards

and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1 to the schedule, the Sacheen Lake Water and Sewer District has prepared this schedule to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the BARS manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Sacheen Lake Water and Sewer District for the year ended December 31, 2015, on the basis of accounting described in Note 1.

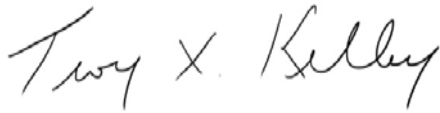
Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their schedule, intended for general use, in accordance with GAAP. The effects on the schedule of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the schedule is presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The schedule referred to above is not intended to, and in our opinion does not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the

expenditures of federal awards of the Sacheen Lake Water and Sewer District for the year ended December 31, 2015, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 1, 2016

FINANCIAL SECTION

**Sacheen Lake Water and Sewer District
Pend Oreille County
January 1, 2015 through December 31, 2015**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

**Sacheen Lake Water and Sewer District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency) Clean Water State Revolving Fund Cluster	Federal Program	Expenditures				Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Office Of Water, Environmental Protection Agency (via WA State Department of Ecology)	Capitalization Grants for Clean Water State Revolving funds	66.458	EI150110	870,668	-	870,668	3
Total Clean Water State Revolving Fund Cluster:				870,668	-	870,668	
Total Federal Awards Expended:				870,668	-	-	

The accompanying notes are an integral part of this schedule.

Sacheen Lake Water Sewer
Notes to the Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2015

NOTE 1 –BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the Cash Basis of Accounting as prescribed in the state BARS manual.

NOTE 2- PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FEDERAL LOANS

The District was approved by the Department of Ecology to receive a loan totaling \$7,209,502 to build a sewer collection and treatment plant. The amount listed for this loan includes the proceeds used during the year. Both the current and prior loans are also reported on the District's schedule of liabilities.

NOTE 4 – INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 5 – SUBSEQUENT EVENTS

The District received \$5,856,629.77, in non-cash assistance, from the Department of Ecology in order to repay their Public Works Trust Fund loan.

In May 2016 Contractors Northwest (CNI) filed suit against the District for \$1,352,880.53. This matter involves a contract dispute between CNI and the District related to work performed by CNI in the construction of the District's sewage collection and treatment facility. CNI claims it is entitled to payment of additional money based on the work it performed. The case is pending in the Washington State Superior Court for Pend Oreille County. The District disputes CNI's claims and intends to vigorously defend against those claims. In addition to denying CNI's claims, the District has filed counterclaims against CNI that may offset the District's liability, if any found, to CNI. The potential liability to the District is unknown, as the matter is still pending to enter the courts.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Sacheen Lake Water and Sewer District
Pend Oreille County
January 1, 2015 through December 31, 2015**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information in this schedule is the representation of the Sacheen Lake Water and Sewer District.

Finding ref number: 2015-001	Finding caption: The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.
Name, address, and telephone of auditee contact person: Sheila Pearman 8272 Fertile Valley Road Newport WA 99156 (509) 447-4641	
Corrective action the auditee plans to take in response to the finding: <i>The District will secure the list of intended contractors to be used as submitted by the general contractor.</i> <i>The District will require a list of all contractors used on site each week.</i> <i>The District will ensure that all certified payrolls are turned in prior to issuing payment for work done.</i>	
Anticipated date to complete the corrective action: 9/16/2016	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov