



Washington State Auditor's Office

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Accountability Audit Report

Greater Bar Water District

Douglas County

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

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Washington State Auditor's Office

December 1, 2016

Board of Commissioners
Greater Bar Water District
Bridgeport, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the District could make improvements.

We recommend the District comply with the Open Public Meetings Act. They should also comply with state law regarding beneficial interest in a contract.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of the Greater Bar Water District from January 1, 2015 through December 31, 2015.

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.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Conflict of interest
- Compliance with federal loan requirements
- Open Public Meetings Act compliance

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 District violated the Open Public Meetings Act and Code of Ethics for Municipal Officers.

Background

State law prohibits municipal officers from having a beneficial interest in a contract. The law defines beneficial interest as a financial interest in a contract to which the government or agency is a party, if an official participates in awarding the contract or is responsible for the contract by virtue of the office he or she holds.

State law also requires discussion of District business by a quorum of board members limited to meetings held only in an open public forum. The District has a three Commissioner Board and two commissioners constitutes a quorum for taking board action.

Description of Condition

District Commissioner No. 1 and No. 3 are a married couple and one worked for the District as the water system operator for seven months during the audit period. From May of 2015 through January of 2016, these two commissioners were the only commissioners serving, as the Commissioner No. 2 had resigned.

We noted three instances where the commissioners and District Manager had a beneficial interest in District contracts:

- Commissioner No. 1 was the District's water system operator. The District did not have a contract for these services to define the position's duties and responsibilities. Commissioner No. 1 and No. 3 approved the payment for these services at their residence and not during an open public meeting. In June and July of 2015, Commissioner No. 1 and No. 3 approved the payment for Commissioner No. 1's services in advance.
- The District Manager was hired in March of 2015. At this time, he was also employed by the District's engineering firm. He continued to work for the engineering firm until August 2015. As District Manager, he was responsible for administrating the contract with the engineering firm. During fiscal year 2015, the District paid \$265,111 to the engineering firm; of which \$25,237 was for work performed by the District Manager.

- Commissioner No. 2 received a refund for connection fees of \$1,070 in 2016. Commissioner No. 2 and Commissioner No. 3 signed the voucher for this payment.

Cause of Condition

The District contends that the population of citizens is so small in the District they were unable to find a commissioner to fill the position. In addition, the District did not familiarize themselves with state law on beneficial, remote interest in contracts or Open Public Meetings Act requirements.

Effect of Condition

District Commissioners and Manager were out of compliance with the Open Public Meetings Act and Code of Ethics for Municipal Officers laws.

Recommendation

We recommend the District comply with the Open Public Meetings Act. They should also comply with state law regarding beneficial interest in a contract.

District's Response

Instance number 1: In 2016, the District's married Commissioners have both resigned and Commissioner No. 1 is no longer the Water System Operator. The District did have two legal opinions on the matter in the past that stated this situation, though not illegal, was not optimal. The lack of overall participation from the District populace led to this situation. The District will not allow this to happen in the future. All vouchers for payments are now authorized at regular or special meetings of the District Board of Commissioners.

Instance number 2: The District Manager left employment of Erlandsen in August of 2015 to eliminate the appearance of conflict of interest. The District Manager had no authority at any time to authorize fund vouchers or payment requests, nor any signature authority. All of these transactions were signed by Commissioners. The manager did however, prepare the documents for Commissioner approvals and signatures.

Instance number 3: During a public meeting, it was discovered that Commissioner No. 2 had overpaid for services associated with a meter installation. Upon discovery, the situation was discussed during a Public Meeting on February 15, 2016, and the Board made a decision to issue a refund to Commissioner No. 2. Commissioner No. 2 received a refund "on the same rates and on the same terms as are available to the public in general". The voucher

that Commissioner No. 2 signed was for several accounts payable and included the refund to him for the overpayment. The Resolution authorizing the refund was not signed by Commissioner No. 2, but by Commissioners 1 and 3 and voted on by same Commissioners. The District now understands that Commissioner No. 2 should not have signed the voucher request that included the refund, but that Commissioners No. 1 and 3 should have signed the voucher request.

The District is now more familiar with the Open Public Meetings Act requirements and the Code of Ethics for Municipal Officers. The District is working to improve its policies and procedures and has corrected the instances listed herein.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District and its cooperation and assistance during the audit. We will review the status of this finding during our next audit.

Applicable Laws and Regulations

RCW 42.23.030, Interest in contracts prohibited, states in part:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of this or her office, or accept, directly or indirectly, any compensations, gratuity or reward in connection with such contract from any other person beneficially interested therein

RCW 42.23.070

(1) No municipal officer may use his or her position to secure special privileges or exemptions for himself, herself, or others.

RCW 42.30.020, Definitions, states in part:

(2) "Action" means the transaction of the official business of a public agency by a governing body including but not limited to receipt of public testimony, deliberations, discussions, considerations, reviews, evaluations, and final actions. "Final action" means a collective positive or negative decision, or an actual vote by a majority of the members of governing body when

sitting as a body or entity, upon a motion, proposal, resolutions, order, or ordinance.

RCW 42.30.030

All meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency, except as otherwise provided in this chapter.

RCW 42.30.060, Ordinance, rules, resolutions, regulations, etc., adopted at public meetings – Notice – Secret voting prohibited states:

(1) No governing body of a public agency shall adopt any ordinance, resolution, rule, regulation, order, or directive, except in a meeting open to the public and then only at a meeting, the date of which is fixed by law or rule, or at a meeting of which notice has been given according to the provisions of this chapter. Any action taken at meetings failing to comply with the provisions of this subsection shall be null and void.

No governing body of a public agency at any meeting required to be open to the public shall vote by secret ballot. Any vote taken in violation of this subsection shall be null and void, and shall be considered an "action" under this chapter.

INFORMATION ABOUT THE DISTRICT

The Greater Bar Water District, formed in 2009 by a consolidation of existing water systems, provides water system improvements, maintenance and testing for communities in and around Bridgeport in Douglas County.

A three-member Board of Commissioners governs the District. The District received approximately \$92,000 in water assessment revenues in 2015.

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 Greater Bar Water District at <http://portal.sao.wa.gov/ReportSearch>.

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	
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