



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

## **Accountability Audit Report**

# **Whitworth Water District No. 2**

**Spokane County**

**For the period January 1, 2016 through December 31, 2016**

**Published June 22, 2017**

**Report No. 1019304**





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

June 22, 2017

Board of Commissioners  
Whitworth Water District No. 2  
Spokane, 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,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Audit Summary .....	4
Summary Schedule Of Prior Audit Findings .....	5
Related Reports .....	6
Information About The District .....	7
About The State Auditor’s Office .....	8

## AUDIT SUMMARY

### Results in brief

In the 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.

### About the audit

This report contains the results of our independent accountability audit of Whitworth Water District No. 2 from January 1, 2016 through December 31, 2016.

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:

- Procurement (prevailing wage)
- Payroll/personnel
- Financial condition

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Whitworth Water District No. 2 Spokane County January 1, 2016 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Whitworth Water District No. 2. The State Auditor's Office has reviewed the status as presented by the District.

<b>Audit Period:</b> January 1, 2015 through December 31, 2015	<b>Report Ref. No.:</b> 1017643	<b>Finding Ref. No.:</b> 2015-001	<b>CFDA Number(s):</b> 66.458
<b>Federal Program Name and Granting Agency:</b> Capitalization Grants for Clean Water State Revolving Funds Environmental Protection Agency		<b>Pass-Through Agency Name:</b> Washington State Department of Ecology	
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.			
<b>Background:</b> Weekly certified payroll reports were not obtained for all subcontractors used on the project. The District failed to receive 76 out of 145 certified weekly payroll reports from the subcontractors. Without adequate internal controls in place to ensure all weekly certified payroll reports are received, the District cannot demonstrate the subcontractors paid workers prevailing wages as required by the Davis-Bacon Act. The District could be liable for paying additional wages if prevailing wages were not paid.			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Partially Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>			
<b>Corrective Action Taken:</b> <i>We have reminded the Engineers that they are to collect the certified payroll reports each week during a project and verify these for accuracy and completeness when received and that they should have a tracking system in place to confirm that these were requested from the contractor and date(s) of the request(s).</i>			

## 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

Whitworth Water District No. 2 was incorporated in 1939. At the request of the Washington State Department of Health, the District continues to take over smaller water districts. The District owns and operates 16 booster stations, 20 wells and 13 reservoirs comprising one water system that currently supports 9,987 water connections in northern Spokane County.

An elected, five-member Board of Commissioners governs the District. The Board appoints a Manager to oversee the District's daily operations as well as its 15 employees. The District operated on an annual budget of approximately \$5.3 million for 2016.

### Contact information related to this report

Address:	Whitworth Water District No. 2 N. 10828 Waikiki Road Spokane, WA 99218
Contact:	Susan McGeorge, General Manager
Telephone:	(509) 466-0550

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Whitworth Water District No. 2 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>