



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Public Utility District No. 1 of
Snohomish County

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

Published November 16, 2017

Report No. 1020172





Office of the Washington State Auditor
Pat McCarthy

November 16, 2017

Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, 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
Related Reports	5
Information About The District	6
About The State Auditor’s Office	7

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 Public Utility District No. 1 of Snohomish County 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:

- Self-insurance
- Payroll – commission analyst
- Bid law/procurement system review
- District vehicle and fuel usage
- Safeguarding of public assets – warehouse inventory
- Contract compliance (energy efficiency program)

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Other reports

During the current audit period, the State Auditor's Office issued an examination report on the District's compliance with the state of Washington's Energy Independence Act. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Snohomish County Public Utility District No. 1 is a consumer-owned utility that was created by voters in 1936 to provide electricity and water service. The District maintains three systems: electric, generation and water. They are separately financed and the District maintains separate books and records for each. The District's electric system serves approximately 341,000 customers in a service area of approximately 2,200 square miles in Snohomish County and Camano Island in Island County. The District's water system serves approximately 20,000 customers in the areas of Lake Stevens, Granite Falls and Arlington areas, Creswell, Dubuque, Storm Lake Ridge, Sunday Lake, Skylite Tracts, Kayak Estates, and May Creek. Most of the customers are supplied with water purchased from the City of Everett and some are provided with well water. Additionally, the District owns the Jackson, Youngs Creek and Woods Creek Hydroelectric Projects.

An elected, three-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms. The Board appoints the General Manager to oversee the District's daily operations as well as its 1,000 employees. In fiscal year 2016, the District had combined operating revenue of approximately \$658 million.

Contact information related to this report	
Address:	Public Utility District No. 1 of Snohomish County P.O. Box 1107 Everett, WA 98206-1107
Contact:	Julia Anderson, Senior Manager, Controller and Auditor
Telephone:	(425) 783-8027
Website:	www.snopud.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for Public Utility District No. 1 of Snohomish County 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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov