

Schedule of Audit Findings and Responses

Cowiche Sewer District Yakima County July 14, 2008

- 1. The Cowiche Sewer District did not comply with state law on recording meeting minutes and making them available to the public.**

Background

Since 2002, the District has had five auditing officers. District records were not complete or organized. Current District staff started in May 2006 and organized all of the files available, but could not find original minutes for several meetings.

Description of Condition

The District held 60 meetings between May 2003 and August 2007. The District could not demonstrate minutes were recorded for 26 of those meetings.

The District had minutes for 34 meetings from September 2004 through August 2007; however, the minutes lacked documentation as follows:

- In 12 instances, the minutes did not document approval of the previous meeting minutes. The District was not able to explain why the approval of the minutes was delayed.
- In eight instances, the meeting minutes did not show whether vouchers that were paid were approved.
- In 19 instances, the minutes did not contain details of the vouchers that were approved.
- In one instance, the minutes did not record who attended the meeting.
- In eight instances, the minutes did not record the time called to order or adjourned. In four of those instances the District did not record a call to order or adjournment at all.
- In ten instances, the minutes were not signed as being true and correct.

Cause of Condition

District management lacked sufficient knowledge of the requirements for accurate and prompt minutes.

Effect of Condition

The District failed to promptly record accurate meeting minutes. Without approved and accurate minutes, the District lacks documentation to demonstrate that it was in compliance with the Open Public Meetings Act. When minutes are not promptly and accurately recorded, District information is not made available to the public.

Recommendation

We recommend the District establish and follow procedures to ensure that meeting minutes are accurate, are promptly approved and made available to the public, and are maintained to document compliance with the Open Public Meetings Act.

District's Response

In response to the audit that was completed for January 1, 2003 through December 31, 2006, this is to notify you that Cowiche Sewer District commission has discussed and enacted the following:

1. *New numbering system for our monthly claim vouchers. Each vendor will have a prenumbered line item.*
2. *We have set up new file notebooks for the signed minutes and agenda for each meeting, resolutions, treatment plant flow sheets and reports. Each commissioner will have a notebook with a complete set of minutes, vouchers to be reviewed.*
3. *A voucher total dollar amount and number of vouchers will be approved and registered in each set of minutes.*
4. *Vouchers must have all invoices and packing slips attached.*
5. *Resolutions signed by commissioners for the new employee with travel policies.*
6. *Employee pay vouchers to be submitted and signed at each monthly meeting.*
7. *Reserve account will be set up to cover the USDA and DOE commitments to be paid each year until the debt is finalized.*

We feel that we have a much better handle on the operations of our office at this time and appreciate the ideas and knowledge you have helped us with.

Auditor's Remarks

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

We thank District officials for the assistance we received during the audit.

Applicable Laws and Regulations

RCW 42.32.030, Minutes, states:

The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

RCW 42.24.080, Municipal corporations and political subdivisions--Claims against for contractual purposes--Auditing and payment--Forms--Authentication and certification, states:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be

audited, before payment, by an auditing officer elected or appointed pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or resolution of the municipal corporation or political subdivision. Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification: PROVIDED, That the certificates as to claims of officers and employees of a county, city, district or other municipal corporation or political subdivision, for services rendered, shall be made by the person charged with the duty of preparing and submitting vouchers for the payment of services, and he or she shall certify that the claim is just, true and unpaid, which certificate shall be part of the voucher.

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2. The Cowiche Sewer District did not comply with debt covenants.

Background

In 1999 and 2000, the District received a \$117,270.89 loan from the state Department of Ecology and a \$420,000 loan from the U.S. Department of Agriculture to pay for construction of a wastewater treatment facility. The covenants require both loans maintain a reserve. During the prior audit, we recommended the District comply with the requirements for the debt issues.

Description of Condition

Our current audit found the District's debt covenants for the federal loan require a reserve with equal annual payments of \$2,600 until \$25,864.00 is accumulated. The debt covenants for the state loan require a reserve with equal annual payments of \$1,202.78 for five years beginning after the initiation of operation or the project completion date, whichever comes first, until \$6,013.90 is accumulated.

On December 31, 2006, the District should have had \$19,013.90 in the reserve account. We found the District had not created a reserve account to hold these funds.

Cause of Condition

The District's management lacked knowledge of this requirement.

Effect of Condition

The District is not in compliance with its debt covenants. As a result, the District is at risk of being in default on its loans.

Recommendation

We recommend the District comply with its debt covenants.

District's Response

See response in Finding 1.

Auditor's Remarks

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

We thank District officials for the assistance we received during the audit.

Applicable Laws and Regulations

United States Department of Agriculture Letter of Conditions, Page 2, General Conditions, Reserve Account, states:

RUS establishes a loan reserve requirement of \$25,864.00, to be accumulated at the rate of \$2,600.00 per year beginning in the first year of repayment. Deposits into the debt reserve account will continue until one annual loan installment has been accumulated unless, prohibited by state law.

Washington State Department of Ecology Loan Agreement, Page 10, Section G, Reserve Requirements, states:

For loans that are revenue-secured debt with terms greater than 5 years, the recipient must accumulate a reserve for the loan equivalent to at least the average annual debt service on the loan during the first 5 years of the repayment period of the loan. This amount shall be deposited in a reserve account in the loan fund in approximately equal annual payment commencing within one year after the initiation of operation or the project completion date, whichever comes first.