



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Brewster Flat Irrigation District

Okanogan County

For the period January 1, 2014 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

May 25, 2017

Board of Commissioners
Brewster Flat Irrigation District
Brewster, 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

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AUDIT SUMMARY

Results in brief

In some 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 some areas we examined.

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

The District has an unallowable contract with a private association for joint operations and shared assets. We recommend the District work with its legal counsel or other resources available to correct the situation.

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to District management in a letter dated May 12, 2017, related to internal controls over payroll processes. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Brewster Flat Irrigation District from January 1, 2014 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:

- Authority
- Payroll and leave processing

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District did not have authority to jointly own assets and share expenses with a non-governmental entity.

Description of Condition

The Brewster Flat Irrigation District is a local government that provides irrigation water to the Brewster Flat area. A separate nonprofit association (Association) provides domestic water to these users. For more than 20 years, the District and Association have contracted with each other for joint operation.

Our review of the agreement between agencies as well as inquiry with District staff revealed the District and Association jointly own a computer, three trucks and a backhoe. However, an asset cannot be deemed partially a public resource and partially a private resource.

The District and the Association share four employees. The prior audit finding reported concerns over the District's tracking of its employees' time to ensure each entity pays its share of employees' time. However, the District resolved this issue by maintaining detailed timesheets for each entity in the current audit period.

Cause of Condition

The District entered into a joint agreement with the Association without understanding the legal restrictions on interlocal agreement or the ownership of public resources. Although the District and Association have discussed ownership of assets since the last audit, they have been unable to agree on who will take full ownership of the assets.

Effect of Condition

The District exceeded its authority and operated in a manner inconsistent with state law.

Recommendation

We recommend the District work with legal counsel or other resources available to correct the situation.

District's Response

The District did not provide a response to the finding.

Applicable Laws and Regulations

ARTICLE VIII SECTION 7 CREDIT NOT TO BE LOANED.

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Brewster Flat Irrigation District
Okanogan County
January 1, 2014 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 Brewster Flat Irrigation District. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 2011- 2013	Report Ref. No: 1014690	Finding Ref. No: 2013-001
Finding Caption: The District did not have authority to jointly own assets and share expenses with a non-governmental entity.		
Background: The District entered into a joint operating agreement with a private domestic water association to own assets and share employees and other expenses. However, the District did not fully understand the legal restrictions on interlocal agreements or the ownership of public assets sufficient to ensure their agreement was allowable.		
Status of Corrective Action: <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>		
Corrective Action Taken: <i>The District tracks the hours by timesheet for the hours worked for the District and the domestic water association. The District continues to negotiate with the domestic water association to determine the final ownership of the assets owned jointly and adopt service contracts.</i>		

INFORMATION ABOUT THE DISTRICT

The Brewster Flat Irrigation District was established in 1957 and provides irrigation water to approximately 2,740 acres in Okanogan County.

An elected, five-member Board of Commissioners governs the District and oversees its two full-time employees and one part-time secretary. The District operated on budgets of approximately \$377,000, \$360,000, and \$478,000 for 2014, 2015, and 2016, respectively. The District is primarily funded through property assessments.

Contact information related to this report	
Address:	Brewster Flat Irrigation District 94C Mountain View Drive Brewster, WA 98812
Contact:	Barbara Lawson, District Secretary
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Brewster Flat Irrigation 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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