



Office of the Washington State Auditor
Pat McCarthy

Report on Unauditable Government
King County Drainage District No. 5

For the period January 1, 2016 through December 31, 2017

Published May 22, 2019

Report No. 1023981





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

May 22, 2019

King County Drainage District No. 5
Enumclaw, Washington

Report on Unauditable Government

This government has been declared “unauditable.” In other words, the financial records were not adequate or available to complete an audit as required by law. Please find attached our report on the King County Drainage District No. 5 in which we state that we were unable to form conclusions regarding these matters due the District’s lack of response to our information requests.

Auditing is essential to government accountability to the public, as reflected in the mandate for audits of local governments given in state law (RCW 43.09.260). The Office of the Washington State Auditor takes seriously our role to advocate for government accountability and transparency and to promote positive change.

This report and the included finding will be published on our website at <http://portal.sao.wa.gov/ReportSearch> as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	5
Related Reports.....	7
Information about the District.....	8
About the State Auditor's Office.....	9

REPORT ON UNAUDITABLE GOVERNMENT

State law (RCW 43.09.260) requires the State Auditor's Office to examine the financial affairs of all local governments at least once every three years. However, as described in the attached finding, the King County Drainage District No. 5 did not submit its annual financial reports with our Office for January 1, 2016 through December 31, 2017 and did not respond to our inquiries and requests for financial documentation. As such, we could not conduct an audit as required by state law.

Failure to submit required reports represents a violation of state law and a weakness in controls over safeguarding of public resources, which we describe in the attached finding. Because we could not perform an audit, we could not come to conclusions on any other aspect of the District's compliance with applicable state laws or controls over the safeguarding of public resources.

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. Local governments are also required by state law (RCW 43.09.230) to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 We could not conduct an audit as required by state law because the District did not submit its annual financial reports with our Office for January 1, 2016, through December 31, 2017, which is also required by state law.

Background

State law (RCW 43.09.260) requires the State Auditor's Office to examine the financial affairs of every local government at least once every three years. State law (RCW 43.09.230) also requires local governments in Washington to provide a summary of their financial activity to our Office each year within 150 days of their fiscal year end.

The District has been operating with only a two-member Board. In May 2019, both Board members resigned, resulting in all three Board positions being vacant.

Description of Condition

We could not conduct an audit because the District did not submit the annual financial reports with our Office for January 1, 2016, through December 31, 2017, and did not respond to subsequent requests for information.

Additionally, without any Board members to prepare financial documents, the District will be unable to meet the 2018 annual report filing requirement which is due by May 30, 2019, resulting in fiscal year 2018 being unavailable for audit as well.

Effect of Condition

We could not conduct an audit as required by state law (RCW 43.09.260). Failure to submit financial reports limits access by the public, state and federal agencies, and other interested parties to financial and other information about the District. Additionally, without submitting the required reports or responding to our audit inquiries and requests for financial documentation, the District cannot demonstrate accountability for its operations.

Recommendation

We recommend the governing body prepare and submit its certified annual financial reports with our Office and respond to inquiry to allow an audit to be performed, in accordance with state law. We encourage any government that believes it cannot meet these reporting requirements to contact our Office for help.

Applicable Laws and Regulations

RCW 43.09.230 states, in part:

“The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government ... (3) a classified statement of all receipts and expenditures by any public institution; ... together with such other information as may be required by the state auditor. ...”

RCW 43.09.240 states, in part:

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

RELATED REPORTS

Special investigations

The State Auditor's Office issued a report on a misappropriation of public funds at the District. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

King County Drainage District No. 5 provides stormwater drainage services to reduce the probable of flooding in the Enumclaw area.

A three-member Board of Commissioners governs the District. However, as of May 2019, the only two serving board members resigned resulting in all three board positions being vacant.

The District received approximately \$75,000 in annual revenue primarily from special assessments for 2016 and 2017.

Audit history

You can find current and past audit reports for King County Drainage District No. 5 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