



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

## **Assessment Audit Report**

# **Pierce County Drainage District No. 10**

**For the period January 1, 2016 through December 31, 2018**

**Published March 2, 2020**

**Report No. 1025819**





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

March 2, 2020

Board of Commissioners  
Pierce County Drainage District No. 10  
Tacoma, Washington

**Report on Assessment Audit**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff and we value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## AUDIT SUMMARY

### Results in brief

Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

As referenced above and described in the attached finding, the District should ensure that annual reports are completed and submitted within 150 days after its fiscal year end in accordance with state law.

This recommendation is included with our report as a finding.

### About the assessment audit

This report contains the results of our independent audit of Pierce County Drainage District No. 10 from January 1, 2016 through December 31, 2018.

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.

This assessment audit was conducted under the authority of RCW 43.09.260, which requires the State Auditor's Office to examine the financial affairs of all local governments at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act.
- Inquiring as to internal controls over assets, revenues, and disbursements.
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law.

- Reviewing the District's annual revenues and expenditures for unusual transactions or trends.
- Corroborating financial information reported by the District by comparing its annual revenues, expenditures, and cash and investment balances to third-party sources.
- Reviewing expenditures for indications of unusual activities, excessive Board of Commissioners compensation, conflicts of interest, or procurement requirements.
- Evaluating the District's financial information for indications of financial difficulties.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Pierce County Drainage District No. 10 January 1, 2016 through December 31, 2018**

#### **2018-001 The District's internal controls over financial reporting were inadequate to ensure timely reporting.**

##### ***Background***

The Board of Commissioners, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. The District is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting.

State law (RCW 43.09.230) requires the District to submit an annual financial report to our Office within 150 days after the end of the District's fiscal year. The annual financial report includes summaries of financial information, supporting schedules, and responses to statutorily required compliance requirements.

##### ***Description of Condition***

The District did not submit the required annual reports within 150 days after its fiscal year ended for 2016, 2017 and 2018.

##### ***Cause of Condition***

The District did not dedicate the necessary resources to ensure it submitted the 2016, 2017 and 2018 financial reports on time.

##### ***Effect of Condition***

The District filed its annual report 952, 587 and 43 days late for fiscal years 2016, 2017 and 2018, respectively. Delays in the availability of complete financial reports prevent District officials, the public, and other interested parties from obtaining timely information. Such delays also hinder transparency to citizens and the efforts of the State Auditor's Office to compile statistical and financial information for use by the state Legislature and others.

##### ***Recommendation***

We recommend the District establish internal controls to ensure accurate, complete, and timely financial reporting in accordance with state law.

## ***District's Response***

*Pierce County Drainage District 10 recognizes the importance of timely submissions of required annual reports and appreciates the assistance it has received from the Office of the Washington State Auditor in resolving this oversight. After having been inactive since 2009, Pierce County Drainage District 10 was re-established in 2015 with three new commissioners. By the end of 2017, all three of those commissioners had resigned and no state audits had been submitted. Three new interim commissioners were appointed by the Pierce County Council in April 2018. After being informed of a late filing in June of 2019, our district promptly filed the 2018 report in July of 2019. We were then asked by the State Auditor's office to file the overdue 2016 and 2017 reports. Since the commissioners from those years had resigned, it took us a few months to find and pull together the necessary documentation. The 2016 and 2017 reports were filed in January of 2020. We appreciate the assistance we received from the State Auditor's office in the process of completing these reports.*

*To ensure that future audits are filed in a timely manner, Pierce County Drainage District 10 plans to attend the in-person annual report workshop in Olympia this spring, ahead of the May 29th filing deadline. As we are all three new commissioners, we have also updated our contact information with the state auditor's office to ensure reliable communication. Most importantly, we are now aware of the filing deadlines and have learned the procedures for submitting audits, so we are prepared to meet deadlines moving forward. We recognize the importance of timely financial reporting and hope that these steps reflect our commitment to that end.*

## ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## ***Applicable Laws and Regulations***

RCW 43.09.230 Local government accounting, annual reports requires every local government to submit financial reports within one hundred fifty days after the close of each year.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

## INFORMATION ABOUT THE DISTRICT

Pierce County Drainage District No. 10 provides operation and maintenance for a storm water drainage system near Tacoma. A three-member Board of Commissioners governs the District.

The District received \$14,700 in revenues in 2017 after being inactive for several years. In 2018, the District collected \$238 in revenue.

### Contact information related to this report

Address:	Pierce County Drainage District No. 10 5106 44th Street E. Tacoma, WA 98443
Contact:	Rawley Johnson, Commissioner
Telephone:	(253) 355-2616

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Pierce County Drainage District No. 10 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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>