



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

# **Assessment Audit Report**

## **Grant County Airport District No. 1**

**For the period January 1, 2017 through December 31, 2018**

**Published March 16, 2020**

**Report No. 1025926**





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

March 16, 2020

Board of Commissioners  
Grant County Airport District No. 1  
Desert Aire, 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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

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 Airport 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 findings. The Airport should ensure that annual reports are completed and submitted with 150 days after its fiscal year end in accordance with state law. The Airport should strengthen its internal controls to ensure significant business operations are safeguarded through contracts and agreements.

These recommendations are included with our report as findings.

### About the assessment audit

This report contains the results of our independent audit of Grant County Airport District No. 1 from January 1, 2017 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 Airport.

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 Airport's annual revenues and expenditures for unusual transactions or trends.
- Corroborating financial information reported by the Airport 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. Based on that review, we compared selected expenditures with supporting invoices and voucher approvals to verify their validity and completeness.
- Evaluating the Airport's financial information for indications of financial difficulties.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Grant County Airport District No. 1 January 1, 2017 through December 31, 2018

**2018-001    The Airport’s internal controls over accounting and financial reporting were inadequate to ensure accurate and complete 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 Airport 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 Airport to submit a complete and accurate annual financial report to our Office. The annual financial report includes summaries of financial information, supporting schedules, and responses to legally required compliance requirements. The Airport operated on revenues of about \$20,000 and \$15,000 in 2018 and 2017, respectively. These revenues are exclusively donation-based collections from neighboring landowners, suggested donations for use of airport facilities, and proceeds from fundraisers.

#### *Description of Condition*

The Airport did not take appropriate steps to ensure it completed the 2018 annual report accurately and did not include all required financial reports to substantiate its activity.

Our audit further identified that the Airport “netted” expenditures related to fundraising events against cash receipts before depositing the net proceeds, causing it to understate revenues and expenditures.

#### *Cause of Condition*

The Airport did not sufficiently understand the accounting entries required for its fundraising activities nor the controls needed to prepare and submit complete and accurate annual reports.

## ***Effect of Condition***

During our audit, we reconciled the Airport's 2018 Schedule 01 report with the County reports and noted that the Airport understated revenues and expenditures by at least \$4,512. These errors were not corrected by management. Based on our review of the meeting minutes, we noted at least one occasion a year when the Airport conducted a fundraiser and "netted" expenditures with revenues before depositing cash receipts. Due to insufficient records, we could not determine the total effect of these understatements.

Inaccurate financial reporting prevents Airport officials, the public, and other interested parties from obtaining accurate financial information. Further, it hinders 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.

## ***Recommendations***

We recommend the Airport establish internal controls to ensure accurate and complete financial reporting in accordance with state law. We further recommend the Airport Commissioners attend trainings to ensure they gain adequate knowledge to accurately report revenues and expenditures.

## ***Airport's Response***

*Grant County Airport District #1 (GCAD #1) Commissioners concur 100% with SAO recommendations. We are working with Desert Aire Owners Association (DAOA) to formalize the lease agreement between GCAD #1 and DAOA. Additionally, we wish to acknowledge the mentoring and advice that Mr. Wolf has shared with us during this audit.*

*EXPLANATION. All administrative and operational functions required by GCAD #1 are completed by three elected (by the constituents of GCAD #1), volunteer senior citizen commissioners. The GCAD#1 has the authority to operate as a municipality but no public funds to support city functions like a bookkeeper, treasurer or police department. This year GCAD #1 will float a small levy request during the November General Election to provide a steady income stream to operate, maintain, and develop the airport within the GCAD #1, independent of donations.*

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

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

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

RCW 42.09.230 Local government accounting, annual reports requires every local government to submit accurate financial reports.

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.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Grant County Airport District No. 1 January 1, 2017 through December 31, 2018

**2018-002    The Airport did not establish adequate controls to ensure a significant business activity was outlined in a lease agreement.**

#### ***Background***

The Airport was established in 1994. The Airport's most significant business activity is that it operates an airfield and uses several facilities owned by the Desert Aire Owners Association (Association) as a public use airport. The Association also provides other services to the Airport, including off-site storage rental space and use of equipment for Airport operations.

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

The Airport and Association have had a longstanding verbal agreement to allow the Airport to operate an airfield, facilities and equipment for \$1 a year plus the payment of property tax and an annual rental storage fee. The Airport did not ensure that the agreement was clearly documented in a written contract or lease agreement. A written agreement protects the interests of both parties by outlining the responsibilities of each as well as the deliverables.

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

The Airport and Association thought that the verbal agreement in place since 1994 was adequate without a written contract or lease agreement.

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

The Airport issued a total of \$1,823 in related payments during 2018, including payment of property taxes and a storage space fee. Without a written agreement in place, the verbal agreement could be terminated or modified by either party, potentially affecting the Airport's ability to continue operating the airport. This could occur regardless of whether payments had already been made.

#### ***Recommendation***

We recommend the Airport strengthen its internal controls to ensure significant business operations, such as leasing of land, space and equipment, are outlined in written agreements and monitored to ensure compliance with the established requirements.



### ***Airport's Response***

*GCAD #1 Commissioners concur 100% with SAO recommendations. Commissioner # 2 is the Secretary/Treasurer and the single individual responsible to provide reports, financial statements, and ensure compliance efforts to the SAO. We will comply fully with laws requiring the logging of fund raising events.*

*Commissioner #2 attended a SAO workshop presented to assist small government agencies in Moses Lake fall of 2019. Grant County Treasurer clerks provide monthly statements to GCAD #1 which are reviewed and reconciled with GCAD #1 records at monthly Commissioner/public meetings. The information provided is both useful and helpful in keeping district records. Commissioner #2 will continue to seek additional training opportunities. Commissioners plan to hire professional bookkeeping services if the tax levy passes in Nov 2020.*

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

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

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

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 AIRPORT

The Desert Aire Airport is a public use airport and is eligible for public funds for major improvements and maintenance. It is owned by the Desert Aire Owner's Association and is leased to Grant County Airport District No. 1. The District has roughly the same boundaries as Desert Aire itself.

An elected, three-member Board of Commissioners governs the District. Commissioners serve two-year terms. The District received annual revenue of approximately \$15,000 and \$20,000 in fiscal years 2017 and 2018, respectively. The District's primary source of revenue is contributions and donations from nongovernmental sources.

Contact information related to this report	
Address:	Grant County Airport District No. 1 319 Airport Way Desert Aire, WA 99349
Contact:	Kenneth Broda, Commissioner
Telephone:	(661) 305-4734
Website:	<a href="https://www.daoa.org/airport/info">https://www.daoa.org/airport/info</a>

*Information current as of report publish date.*

## Audit history

You can find current and past audit reports for Grant County Airport District No. 1 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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