



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

**Accountability Audit Report**  
**King County Drainage District No. 5**

**For the period January 1, 2018 through December 31, 2019**

**Published August 17, 2020**

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

August 17, 2020

Board of Commissioners  
King County Drainage District No. 5  
Enumclaw, Washington

**Report on Accountability**

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.

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.

In May 2019, we issued a special investigation report, which reported a misappropriation that occurred at the District from May 24, 2012 through January 15, 2019. We also issued a report on unauditable government for the period January 1, 2016 through December 31, 2017, because the District's financial reports were not available for audit as required by state law.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined for the period January 1, 2018 through December 31, 2019. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## AUDIT RESULTS

### Results in brief

This is the first audit of the District following our report on unauditably government for the period January 1, 2016 through December 31, 2017.

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified an area in which the District could make improvements. This recommendation is included with our report as a finding.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of King County Drainage District No. 5 from January 1, 2018 through December 31, 2019.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2019 and 2018, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. In addition, as part of this audit we followed up on the special investigation report issued May 22, 2019, over accounts payable.

We examined the following areas during this audit period:

- Open public meetings – documentation of minutes, executive sessions, and special meetings
- Financial reports – completeness and accuracy of reported revenues and expenditures
- Annual report filing – timeliness and completeness
- Accounts payable – general disbursements
- Procurement – purchases
- Financial condition
- Payroll – compliance with statutory rates for Commissioners

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2019-001 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 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.

The Board is responsible for District operations and compliance with state laws. In May 2019, we issued a report on unauditible government for the period January 1, 2016 through December 31, 2017, which included a finding because the District's financial reports were unavailable for audit as required by state law. We also issued a separate fraud investigation report at that time.

The District has subsequently filed its 2018 and 2019 annual reports.

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

The District did not take appropriate action to prepare or submit the required annual report within 150 days after its fiscal year end for fiscal year 2018.

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

The District did not have an adequate internal control system, including monitoring, over the preparation and submission of its required annual report.

Further, the District experienced turnover in all three board member positions. The District has been operating with only a two-member Board for the last seven years. In May 2019, both Board members resigned, leaving all three Board positions vacant. Three new commissioners were appointed by King County in July 2019. The new commissioners subsequently filed the 2018 and 2019 annual reports.

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

The District filed its 2018 annual report 249 days late. 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 audit and compile statistical and financial information for use by the state Legislature and others.

The 2016 and 2017 annual reports remain unfiled.

### ***Recommendation***

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

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

*Three new Commissioners were appointed by the King County Council in July 2019. Following appointment, the new Board of Commissioners were made aware of the failure of the previous Board of Commissioners to file Annual Reports for years 2016, 2017, and 2018. Lacking immediate access to District records, the newly appointed Board of Commissioners began work to access and obtain records necessary to complete the delinquent Annual Reports. Subsequently the new Board of Commissioners did complete and file an Annual Report for 2018 and were advised by the SAO filing of the 2016 and 2017 Annual Reports was not required. The new Board of Commissioners did file the District's 2019 Annual Report on time. The District intends to meet Annual Reporting requirements going forward.*

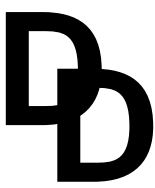
### ***Auditor's Remarks***

We appreciate the District's commitment to resolving this issue and thank the District for its cooperation and assistance during the audit.

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

RCW 43.09.230 Local government accounting - Annual reports - Comparative statistics

The *Budgeting, Accounting, and Reporting System (BARS)* manual, 3.1.3, Internal Control



5-5A

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**King County Drainage District No. 5  
January 1, 2018 through December 31, 2019**

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2016 through December 31, 2017	<b>Report Ref. No.:</b> 1023981	<b>Finding Ref. No.:</b> 2017-001
<b>Finding Caption:</b> 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.		
<b>Background:</b> The District has not filed an annual financial report with our Office in 2016 and 2017 and has received prior letters and findings communicating the non-compliance.		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>There were new Commissioners appointed in 2019 and our District's report filing was made for 2018 and 2019.</i>		



## 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 storm water drainage services to reduce the probability of flooding in the Enumclaw area.

In May 2019, the only two service board members resigned resulting in all three board positions being vacant. Three-member were appointed as Board of Commissioners in 2019 and governs the District. The District receives approximately \$75,000 in annual revenue primarily from special assessments.

<b>Contact information related to this report</b>	
Address:	King County Drainage District No. 5 P.O. Box 22 Enumclaw, WA 98022
Contact:	Alan Predmore, Commissioner
Telephone:	(253) 261-3062

*Information current as of report publish date.*

### **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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>