



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Grant County Weed District No. 1

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

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

December 7, 2020

Board of Directors
Grant County Weed District No. 1
Quincy, 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.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the 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

Americans with Disabilities

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations did not comply, in all material respects, with applicable state laws, regulations, or its own policies. Additionally, the District did not provide adequate controls over safeguarding of public resources in most of the areas we examined.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to retroactive compensation that we communicated to District management and Board of Directors in a letter dated November 17, 2020. We appreciate the District's commitment to resolving those matters.

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 Grant County Weed District No. 1 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.

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, 2018, 2017 and 2016, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- General disbursements
- Payroll – gross wages
- Annual report filing – timeliness and completeness

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The District's internal controls over financial operations were inadequate to comply with state law and regulations for public agencies.

Background

The District operates on an annual budget of about \$56,000, and averages about \$30,000 in annual payroll costs for its one employee. District management is responsible for designing and following internal controls that provide reasonable assurance over compliance with state laws, policies and the safeguarding of public resources.

The Board of Directors, state and federal agencies, and the public rely on the information included in financial 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 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 is also responsible for the integrity and retention of the original vouchers and other documents necessary to isolate and prove the validity of every transaction relating to the use of public funds.

In the previous audit, we recommended that the Board of Directors improve the District's retention of invoice and payment documentation and informed the District that it had not filed the required summary of financial activity for at least four years (2010 – 2013). The District also did not file the required financial reports with our Office for 2014 and 2015.

Description of Condition

The District did not prepare or submit the required annual financial reports for 2016 through 2018.

The District could not provide supporting records for vendor payments for some transactions in 2016, 2017, and 2018. In addition, the Board's meeting minutes did not include a list of approved vouchers, as required by the *Budgeting, Accounting and Reporting System (BARS) Manual*.

Cause of Condition

The former District Manager was informed in the previous audit that the District was responsible for preparing the annual financial reports. However, he did not prioritize completing them for fiscal years 2014, 2015 and 2016. The new

District Manager also did not dedicate the necessary time to learn how to prepare or submit the annual reports for fiscal years 2017 and 2018.

In addition, the District did not ensure it kept all supporting records to validate payments or demonstrate compliance with applicable laws.

Effect of Condition

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 required reports, the District cannot demonstrate accountability for its operations.

We tested 66 vendor payments totaling \$42,200 from 2016 to 2018. The District could not provide records to show that 11 of those 66 vendor payments were for a valid business purpose. By not ensuring that it keeps invoices, receipts, and other supporting documentation for all vendor payments, the District cannot demonstrate that its expenses are for valid business purposes.

Recommendations

We recommend the District prepare and submit annual financial reports to our Office, in accordance with state law. We encourage District officials to contact our Office for any assistance needed to meet these reporting requirements.

We also recommend the District improve internal controls to keep records that demonstrate that payments comply with applicable laws and were made for a valid business purpose.

District's Response

The District was given the opportunity to respond to the finding. The District chose not to provide a response.

Auditor's Remarks

We appreciate the District's cooperation during the audit. We will follow up on the status of the finding during our next scheduled audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

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.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.1.4, Original Supporting Documentation, requires local governments to retain original vouchers, receipts and other documents to prove the validity of accounting transactions.

The *Budgeting, Accounting and Reporting System* (BARS) manual, 3.8.5.40, Expenditures – Voucher Certification and Approval requires indication of the governing body approval for payment of claim vouchers and payroll be entered in the minutes.

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.

RCW 43.09.260 states, in part:

(1) The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine . . .

(5) On every such examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports.

(6) A report of such examination shall be made and filed in the office of state auditor, and one copy shall be transmitted to the local government. A copy of any report containing findings of noncompliance with state law shall be transmitted to the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of his or her copy of the report, the attorney general shall institute, in the proper county, such legal action as is proper in the premises by civil process and prosecute the same to final determination to carry into effect the findings of the examination

INFORMATION ABOUT THE DISTRICT

Grant County Weed District No. 1 provides weed control and enforcement in Quincy and surrounding areas within the District's boundaries.

An elected, three-member Board of Directors governs the District. The Board of Directors appoints a District Supervisor to manage the daily affairs of the District. The District operates on an annual budget of about \$56,000.

Contact information related to this report

Address:	Grant County Weed District No. 1 P.O. Box 731 Quincy, WA 98848
Contact:	John Hoersh, District Supervisor
Telephone:	(509) 398-5115

Information current as of report publish date.

Audit history

You can find current and past audit reports for Grant County Weed 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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov