



Office of the Washington State Auditor
Pat McCarthy

Report on Unauditable Government
Lewis County Water District No. 3

For the period January 1, 2017 through December 31, 2019

Published December 28, 2020

Report No. 1027256





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

December 28, 2020

Board of Commissioners
Lewis County Water District No. 3
Packwood, Washington

Report on Unauditable Government

This government has been declared “unauditable.” In other words, the financial records were not available to complete an audit, as required by law. Please find attached our report on Lewis County Water District No. 3, in which we state that we were unable to form conclusions regarding these matters due to 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 and will also be provided to the Office of the Attorney General for their review.

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.

TABLE OF CONTENTS

Report on Unauditable Government	4
Schedule of Findings.....	5
Information about the District.....	8
About the State Auditor's Office.....	9

REPORT ON UNAUDITABLE GOVERNMENT

State law (RCW 43.09.260) requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. However, as described in the attached finding, Lewis County Water District No. 3 did not submit to our Office the annual financial reports for January 1, 2017, through December 31, 2019, 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 FINDINGS

2019-001 We could not conduct an audit, as required by state law, because the District did not submit its annual financial reports to our Office and did not respond to our requests for financial information for January 1, 2017, through December 31, 2019, which is also required by state law.

Background

State law (RCW 43.09.260) requires the State Auditor 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. Public officials or employees may be subject to removal from office for refusing to or willfully neglecting to perform their duties (RCW 43.09.240), which includes filing the required reports with the State Auditor, and such actions are considered a misdemeanor (RCW 42.20.100).

The District operates with a three-member elected Board of Commissioners. The Board is responsible for District operations and compliance with state laws. The current Commissioners have served on the Board with varying terms, starting in 2011.

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, 2017, through December 31, 2019, and did not respond to subsequent requests for information.

Cause of Condition

The Board refused to submit the required annual financial reports. Additionally, it refused to respond to our requests to perform an audit in accordance with state law.

Effect of Condition

The District is not complying with state law requiring an audit of its financial activities. Therefore, the District cannot demonstrate accountability for its operations or its responsible use of public funds. In addition, the District's failure to submit required financial reports inhibits transparency to the public, state and federal agencies, and other interested parties to financial and other information about its operations.

District's Response

The District has not responded to our attempts to contact it and thus has provided no remarks in response to this finding.

Auditor's Remarks

We attempted to contact the District via telephone and U.S. mail. However, the District has not responded.

Recommendation

We recommend the governing body take immediate action to respond to our requests to perform an audit and submit its certified annual financial reports with our Office, as required by state law.

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.

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

RCW 42.20.100 states:

Whenever any duty is enjoined by law upon any public officer or other person holding any public trust or employment, their willful neglect to perform such duty, except where otherwise specially provided for, shall be a misdemeanor.

INFORMATION ABOUT THE DISTRICT

Lewis County Water District No. 3, formed in 1974, provides water services to Packwood. The original water system was constructed in 1935 and consisted of an impoundment structure on Snyder and Spring Creeks.

A three-member board of commissioners governs the District. The District's main source of revenue is water sales and services.

Contact information related to this report	
Address:	Lewis County Water District No. 3 12973 U.S. Highway 12 Packwood, WA 98361
Contact:	Ron Wilson, Office Administrator
Telephone:	(360) 494-7631

Information current as of report publish date.

Audit history

You can find current and past audit reports for Lewis County Water District No. 3 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