



Office of the Washington State Auditor
Pat McCarthy

Special Report on Unauditable Governments

As of fiscal year end 2020

Published December 28, 2020

Report No. 1027573





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

December 28, 2020

Dear Washington State Treasurer and County Officials

Special Report on Unauditable Governments

This report is the first under a new state law (RCW 43.09.230), which addresses a small number of special purpose districts that are not complying with basic accountability requirements. The law requires the State Auditor to notify the legislative authority of a county and the State Treasurer of any special purpose districts in their jurisdiction that are determined by the Office of the Washington State Auditor to be unauditable governments.

For decades, local governments have been required to be audited by our Office (RCW 43.09.260) and to submit annual financial reports (RCW 43.09.230).

Independent audits provide essential accountability and transparency for government operations. This information is valuable to management, the governing body and the public when assessing the government's stewardship of public resources. Failure to be audited and provide annual financial reports prevents everyone from knowing how public money is being used and impairs the decision making of management and elected officials.

In recent years, the State Auditor's Office, the Legislature and local governments have collaborated to address the small number of governments that are not complying with these laws. I am pleased that many governments in danger of being declared unauditable have stepped forward to become accountable. This report identifies only a small number of governments that our Office has deemed unauditable.

Nevertheless, our goal is to ensure that every single government that receives public tax dollars is accountable to the public, and this report is part of that effort. A government deemed unauditable is referred by our Office to the State Attorney General's Office for possible legal action, and new legislation allows for their possible dissolution.

Attached is our report of governments that our Office has declared as unauditible. Thank you for your attention, and your support of public accountability.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

cc: County Auditors, County Treasurers, County Assessor, County Prosecuting Attorney

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.

REPORT ON UNAUDITABLE GOVERNMENTS

Background

In May 2019, the Office of the Washington State Auditor first reported about 40 governments that did not submit financial reports or respond to requests for documents needed to perform an audit. In June 2020, the state Legislature passed a law establishing consequences for special purpose districts that are identified as an unauditible government. “Unauditible” means a special purpose district that the State Auditor has determined to be incapable of being audited because the district improperly maintained, failed to maintain or failed to submit adequate accounts, records, files or reports for an audit to be completed (RCW 43.09.230 (1)(b)).

Action Required of Counties and the State Treasurer

Counties in which these governments operate and the state treasurer are notified when a special purpose district becomes unauditible, and may withhold funding from these governments as a result. State law (RCW 43.09.230 (3)(a)) prohibits counties responsible for the identified special purpose districts from issuing warrants on behalf of the special purpose district. Further, the state treasurer may not distribute any local sales and use taxes imposed by the special purpose district. The counties are able to dissolve or absorb the special purpose districts.

Unauditible Governments

This report contains the list of governments that have received individual reports declaring them unauditible as of calendar year end 2020.

District	Government Type	County	Report Issue Date (click date for link to report)
Camas Washougal Economic Development Association	Miscellaneous	Clark	May 14, 2020
Snohomish County Dike and Drainage Improvement District No. 7	Diking/Drainage	Snohomish	October 29, 2020
Waitsburg Coppei Flood Control District	Flood Control	Walla Walla	October 29, 2020
Pacific County Fire Protection District No. 7	Fire Protection	Pacific	October 29, 2020
Lewis County Water District No. 3	Water	Lewis	December 28, 2020
Rocky Point Water District No. 12	Water	Kitsap	December 28, 2020
Lakeview Sewer District No. 1	Sewer	Lincoln	December 28, 2020

Future reporting

Our Office continues to monitor additional special purpose districts originally identified in May 2019. For more information, see the [Guide to Unauditible Governments](#).

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	
Kelly Collins, Director of Local Audit	Kelly.Collins@sao.wa.gov (564) 999-0807
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov