



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## Sunland Water District

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

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

May 24, 2021

Board of Commissioners  
Sunland Water District  
Sequim, 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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TABLE OF CONTENTS

Audit Results..... 4

Summary Schedule of Prior Audit Findings ..... 5

Information about the District..... 8

About the State Auditor's Office..... 9

## AUDIT RESULTS

### Results in brief

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

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 the Sunland Water District 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 Washington 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. We examined the following areas during this audit period:

- Payroll – gross wages and leave balances and accruals
- Procurement – public works and purchasing exemptions
- Cash receipting – timeliness and completeness of deposits
- Accounts receivable – billing and adjustments
- Tracking of theft sensitive assets such as computers, tools and equipment
- Accounts payable – imprest fund
- Open public meetings – documentation of minutes, executive sessions and special meetings



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Sunland Water District January 1, 2018 through December 31, 2019

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

<b>Audit Period:</b>	<b>Report Ref. No.:</b>	<b>Finding Ref. No.:</b>
1/1/2014 through 12/31/2017	1020921	2017-001
<b>Finding Caption:</b> The District did not have adequate internal controls in place to ensure compliance with state law and adequate safeguarding of public resources.		
<b>Background:</b> <u>Cash receipting</u> One person was responsible for the receipt, deposit, and reconciliation functions, and there was no secondary review of these activities to ensure receipted funds were adequately safeguarded from loss or misappropriation. In addition, the District lacked adequate controls to ensure funds were deposited promptly in accordance with state law (RCW 43.09.240). <u>Open public meetings</u> Four of the District's meeting minutes did not document the approval of warrants, and none of the meetings documented the approval of payroll expenditures. The purpose and time frames of executive sessions were not documented in accordance with state law (RCW 42.30.080). On 17 occasions the District did not document the Board's official actions, as defined by state law (RCW 42.30) and the Board did not sign and approve of any of the meeting minutes. <u>Customer account adjustments</u> Customer account adjustments were not subject to secondary review or monitored to ensure they were reasonable and adequately supported. <u>Small and attractive assets</u> The District did not have a policy that established procedures to track and safeguard small and attractive assets. The District also did not maintain an inventory listing or perform period		

inventory checks to ensure small and attractive assets remained in its possession.
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid
<b>Corrective Action Taken:</b> <i>Cash Receipting: Deposits are made weekly and reviewed and signed off by a secondary reviewer.</i> <i>Open Public Meetings: District meeting minutes now document the Board's approval of warrants and payroll expenditures. Signed payroll expenditure certifications are filed. The purpose and time frames of executive sessions are now documented, the Board's official actions are now documented in meeting minutes, and the Board reviews meeting minutes after the Board meeting occurs. During the following Board meeting, Commissioners approve and sign prior meeting minutes</i> <i>Customer Account Adjustments: All customer account adjustments are brought to the Board for consideration and approval. Board approval of adjustments are recorded in the Board meeting minutes and adequate support documentation and notes are made to the customer's account.</i> <i>Small and Attractive Assets: SWD now inventories small and attractive assets on an annual basis and maintains this inventory list.</i>

<b>Audit Period:</b> 1/1/2014 through 12/31/2017	<b>Report Ref. No.:</b> 1020921	<b>Finding Ref. No.:</b> 2017-002
<b>Finding Caption:</b> The District did not have adequate controls in place to ensure compliance with procurement and prevailing wage requirements for public works projects.		
<b>Background:</b> The District was not in compliance with procurement requirements for public works projects for the construction of the new office building. In addition, for the new office building construction project, the District approved two change orders which should have been included in the winning bid, and one change order that should have been bid separately.		
<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>SWD's Public Works and Purchasing Policy is currently in review. In 2020, SWD began using this policy for procurement. By the end of 2021, SWD plans to have operational public works and purchasing procedures and documentation.</i>		

<b>Audit Period:</b> 1/1/2014 through 12/31/2017	<b>Report Ref. No.:</b> 1020921	<b>Finding Ref. No.:</b> 2017-003
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure payroll expenditures were accurate and supported.		
<b>Background:</b> One person was responsible for processing payroll, including tracking leave balances and calculating regular and overtime payments. The District did not have adequate controls or monitoring to ensure payroll disbursements were correctly calculated; amounts paid agreed to supporting documentation; and leave amounts were properly paid, tracked, monitored and approved.		
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected         </div> <div> <input type="checkbox"/> Partially Corrected         </div> <div> <input type="checkbox"/> Not Corrected         </div> <div> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>		
<b>Corrective Action Taken:</b> <i>SWD's timecards are subject to secondary review prior to processing payroll disbursements. Leave balances are now sent to team and Board for review and monitoring.</i>		

## INFORMATION ABOUT THE DISTRICT

The Sunland Water District provides water and sewer services in an unincorporated area of Clallam County near the city of Sequim. The District serves approximately 969 water/sewer accounts.

An elected, three-member Board of Commissioners governs the District. The Board appoints management to oversee the District's daily operations as well as its eight employees. The primary sources of revenue are water and sewer service charges. For 2018 and 2019 the District operated on an annual budget of approximately \$1.1 and \$1.2 million, respectively.

### Contact information related to this report

Address:	Sunland Water District 5762 Woodcock Road Sequim, WA 98382
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Telephone:	360-683-3905
Website:	<a href="http://www.sunlandwater.com">www.sunlandwater.com</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Sunland Water District at <http://portal.sao.wa.gov/ReportSearch>.



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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