



Office of the Washington State Auditor
Pat McCarthy

Assessment Audit Report

Mud Creek Irrigation District No. 7

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

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

January 26, 2023

Board of Commissioners
Mud Creek Irrigation District No. 7
Walla Walla, Washington

Report on Assessment Audit

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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff, and value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

The District did not submit its annual reports with our Office and did not retain records to support financial information for the period of January 1, 2018 through December 31, 2019. As a result, we could not perform audit procedures for that period. 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 audit procedures for fiscal years 2018 and 2019, we could not come to conclusions on any other aspect of the District's compliance with state laws or controls over the safeguarding of public resources for that period.

About the assessment audit

This report contains the results of our independent audit of Mud Creek Irrigation District No. 7 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. State law (RCW 43.09.230) also requires local governments 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.

This assessment 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 at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the District.

As referenced above, we were unable to perform audit procedures for the audit period.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Mud Creek Irrigation District No. 7 January 1, 2018 through December 31, 2019

2019-001 The State Auditor's Office could not audit the District's financial operations, as required by state law.

Background

Mud Creek Irrigation District No. 7 operates and maintains an irrigation water system servicing 459 acres in Walla Walla County. A three-member Board of Commissioners governs the District, which had annual expenditures of approximately \$4,950 and \$150 – and ending balances of approximately \$2,200 and \$9,900 – in fiscal years 2018 and 2019, respectively.

State law (RCW 43.09.260) requires the State Auditor's Office to examine every local government's financial affairs at least once every three years. State law (RCW 43.09.230) also requires local governments in Washington to provide an annual summary of their financial activity to our Office within 150 days of their fiscal year-end.

Description of Condition

We could not audit the District's 2018 and 2019 financial operations because it did not submit the annual financial reports to our Office, and did not retain supporting documentation for its financial activity.

Cause of Condition

District leadership lacked the knowledge and understanding of state laws and the *Budgeting, Accounting and Reporting System* (BARS) Manual prescriptions applicable to local governments and, therefore, did not dedicate the necessary resources to ensure annual reports were filed. Furthermore, the District experienced turnover in the Secretary position and records were not passed on, which resulted in a lack of continuity.

Effect of Condition

We could not conduct audit procedures, as required by state law (RCW 43.09.260), for fiscal years 2018 and 2019. Failure to submit annual 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 or

retaining documentation to support its financial activity, the District cannot demonstrate accountability for its operations.

Recommendation

We recommend the District prepare and submit its certified annual financial reports to our Office by the statutory deadline. We also recommend the District retain documentation to support its financial activity, which will allow our Office to perform an audit in accordance with state law. Further, we encourage District officials to contact our Office for any assistance needed in meeting these reporting requirements.

District's Response

Records of 2018 and 2019 could not to be found, as the secretary at that time left position and it has yet to be filled permanently.

The District is very small and has 5 local farmers using water from the ditch, its revenue covers annual maintenance, it has no assets besides the actual canal, and has very little interest from anyone associated with the District to hold any elected positions.

By default, the current secretary joined the District to at assist with ensuring the bills are paid through the county and try to get the minimal information sent off to the state to keep the District valid.

The District will try to get the annual reports sent in the state in a timely fashion in the years to come.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during the next regular audit.

Applicable Laws and Regulations

RCW 43.09.230—Local government accounting—Annual reports—Comparative statistics.

RCW 43.09.240—Local government accounting—Public officers and employees—Duty to account and report—Removal from office—Deposit of collections.

RCW 43.09.260—Examination of local governments—Reports—Action by attorney general.

RCW 42.20.100—Failure of duty by public officer a misdemeanor.

INFORMATION ABOUT THE DISTRICT

Mud Creek Irrigation District No. 7 provides operation and maintenance of an irrigation water system in Walla Walla County.

A three-member Board of Commissioners governs the District. The District's primary source of revenue is derived from special assessments. The District operated on annual revenues of approximately \$5,400 and \$7,800 in fiscal years 2018 and 2019, respectively.

Contact information related to this report

Address:	Mud Creek Irrigation District No. 7 P.O. Box 1076 Walla Walla, WA 99362
Contact:	Randy Deruwe, Commissioner
Telephone:	509-240-4289

Information current as of report publish date.

Audit history

You can find current and past audit reports for Mud Creek Irrigation District No. 7 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. 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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