



Office of the Washington State Auditor  
Pat McCarthy

## **Accountability Audit Report**

# **Pine Creek Conservation District**

**For the period January 1, 2020 through December 31, 2021**

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

April 10, 2023

Board of Supervisors  
Pine Creek Conservation District  
Oakesdale, 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

***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, and 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.

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 Pine Creek Conservation District from January 1, 2020 through December 31, 2021.

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, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements and grant expenditures
- Payroll – gross wages, leave balances and accruals
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Pine Creek Conservation District January 1, 2020 through December 31, 2021**

#### **2021-001    The District did not have adequate records, which prevented our Office from performing some auditing procedures.**

##### ***Background***

District management is responsible for designing and following internal controls that provide reasonable assurance of compliance with state laws, policies and safeguarding of public resources. District management is also responsible for the integrity and retention of the original vouchers, invoices, receipts, payroll timesheets and other documents necessary to prove the validity of every transaction relating to the receipt, use, and disposition of public funds and property. Additionally, state law requires the District to promptly record Board of Supervisors meeting minutes and retain them for public inspection.

##### ***Description of Condition***

The District did not retain all supporting documentation for its vendor payments, employee payroll records, state grant reimbursements, and Board meeting minutes from January 2020 through June 2021.

This issue was reported as a finding in the prior audit.

##### ***Cause of Condition***

The District Manager, who left employment with the District in June 2021, was unable to locate all the documents and believed they may have been destroyed in error. In addition, the Board did not provide adequate monitoring to ensure the District Manager properly managed the District's operations and financial records. Current District management could not locate all requested records for audit and said the former District Manager either destroyed or lost most of the District's records from January 2020 through June 2021.

## *Effect of Condition*

The District cannot demonstrate the validity of all financial activity and cannot show business conducted at all Board meetings for January 2020 through June 2021. Without original physical records and supporting documentation, we could not perform detailed testing over all financial activity and OPMA compliance. Therefore, we cannot determine if losses occurred, if the District spent funds only for allowable purposes, or if the District complied with OPMA requirements during this period.

The District subsequently hired new management in May 2021. We reviewed additional financial transactions for July through December 2021, for which the District provided support and evidence of the Board's approval. We also found the District retained all Board meeting minutes for this period.

## *Recommendation*

We recommend the District continue to:

- Improve internal controls and follow procedures to effectively store records to support its financial activity, demonstrate the allowability of transactions, and comply with records retention schedules
- Record Board meeting minutes and retain them for public inspection in compliance with state law

Additionally, we recommend the Board continue to provide adequate oversight of District operations to ensure it obtains support for financial transactions and retains financial records.

## *District's Response*

*The District acknowledges the deficits in records retention for the period of January 2020 through June 2021. This issue came to light in the first half of 2021 during the prior audit covering 2017-2019. The Board immediately began work to make the proper corrective actions. In May 2021 the Board hired a new District Manager and Staff Accountant to develop and implement financial procedures and bring the District back into compliance to show adequate safeguarding of public resources. Unfortunately, the next audit period had already begun at that point and records lost by the previous Manager could not be recovered. Starting in June 2021, the District developed a comprehensive financial policy that ensures duplication of records and storage at two sites using paper and electronic copies. To allow for adequate oversight, our procedures require checks between the*

*District Manager and Staff Accountant, as well as reporting of all financial transactions to the Board at monthly regular meetings. Since July 2021, the District has been in full compliance with internal policies and Washington State requirements.*

### ***Auditor's Remarks***

We appreciate the steps the District is taking to resolve this issue and thank the District for its communication, cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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.

RCW 40.14.070, Destruction, disposition, donation of local government records – Preservation for historical interest – Local records committee, duties – Record retention schedules – Sealed records.

RCW 42.30.035, Minutes – The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

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.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Pine Creek Conservation District January 1, 2020 through December 31, 2021

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

<b>Audit Period:</b> January 1, 2017 through December 31, 2019	<b>Report Ref. No.:</b> 1028475	<b>Finding Ref. No.:</b> 2019-001
<b>Finding Caption:</b> The District did not have adequate controls over the retention of accounting records, which prevented our office from performing most auditing procedures for fiscal years 2017, 2018 and 2019.		
<b>Background:</b> District management is responsible for the integrity and retention of original vouchers, invoices, receipts, payroll timesheets and other documents necessary to support the validity of every transaction related to the receipt, use and disposition of public funds and property.  Our audit found the District did not retain all supporting documentation for its vendor payments, employee payroll records and state grant reimbursements; therefore the District was not able to demonstrate the validity of all financial activity. Additionally, the District did not have an effective process to manage operations and ensure it paid bills and filed required reports with external agencies on time. Further, it was noted the District did not have an established process to ensure amounts approved by the governing body on the expense vouchers agreed to the total attached invoices and the accounting system. Because of the lack of supporting documentation, we could not perform detailed testing over all financial activity and could not determine if losses occurred or confirm if the District spent funds only for allowable purposes.		
<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>The corrective actions were not taken prior to the beginning of this audit period so for the audit period, the finding was only partially corrected. In May 2021, a new District Manager and Staff Accountant were hired; these employees, in conjunction with the Board, developed and implemented new financial procedures with checks between the two new employees and</i>		



*the board for all financial transactions. This resulted in timely payment of bills and payroll, and on-time submission of expense vouchers to external agencies. In addition, storage of records was duplicated in electronic and paper form to ensure that records could not be lost. Electronic records are stored on a web-based service so they are not susceptible to loss due to equipment failure and are available at any time to all employees and board members. Paper records are kept by the Staff Accountant in a separate office to ensure that records are duplicated and not lost.*

## INFORMATION ABOUT THE DISTRICT

The Pine Creek Conservation District, established in 1942, provides technical, financial and educational support related to the conservation of natural resources in the northeast portion of Whitman County.

The District is governed by a five-member Board of Supervisors, of which three are elected and two are appointed by the Washington State Conservation Commission Board of Supervisors. The District has one full-time employee, one part-time employee and contractual agreements with neighboring conservation districts for additional support. The District is largely dependent on state grants for funding. The District operated on annual revenues of approximately \$156,200 and \$119,300 in 2021 and 2020, respectively.

### Contact information related to this report

Address:	Pine Creek Conservation District 401 S. SR 27 P.O. Box 328 Oakesdale, WA 99158
Contact:	Shawna Jeffries, Financial Manager
Telephone:	(509) 285-5122
Website:	<a href="https://pinecreekcd.org">https://pinecreekcd.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Pine Creek Conservation 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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