



Office of the Washington State Auditor
Pat McCarthy

Special Report on Unauditable Governments

As of fiscal year-end 2023

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

December 28, 2023

Dear Washington State Treasurer and County Officials,

Special Report on Unauditable Governments

This report is issued under 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. Additionally, our Office refers these governments to the State Attorney General's Office for possible legal action.

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.

I am pleased that many governments in danger of being declared unauditable have stepped forward to become accountable. This report identifies only eight 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.

Attached is our final separate report of governments that our Office has declared as unauditable. Future reporting on unauditable governments will be included in our Office's annual report. Thank you for your attention, and your support of public accountability.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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

REPORT ON UNAUDITABLE GOVERNMENTS

Background

For decades, local governments have been required to submit annual financial reports to our Office (RCW 43.09.230) and receive regular audits (RCW 43.09.260). In May 2019, our Office initiated an effort to increase compliance with these laws by reporting 40 governments that did not submit financial reports or respond to our requests for documents that we need to perform an audit.

In June 2020, the state Legislature passed a law establishing consequences for special purpose districts that our Office identified as unauditible governments. “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

Upon notification by our Office, counties in which these governments operate, and the State Treasurer may withhold funding from these special purpose districts. State law (RCW 43.09.230 (3)(a)) prohibits counties responsible for unauditible special purpose districts from issuing warrants on their behalf. Further, the State Treasurer may not distribute any local sales and use taxes imposed by the unauditible special purpose district. Additionally, the counties can dissolve or absorb these governments.

Unauditible Governments as of December 31, 2023

The following table identifies the governments currently deemed unauditible, including links to the individual reports of unauditible governments.

District	Government Type	County	Report Issue Date (click date for link to report)	Current Status
Island County Diking District No. 3	Diking / Drainage	Island	April 13, 2023	Pending County action*
Benton County Fire Protection District No. 5	Fire	Benton	April 13, 2023	Pending County action*
Whitman County Cemetery District No. 7	Cemetery	Whitman	April 13, 2023	Pending County action*
Cowiche Sewer District No. 2	Sewer	Yakima	December 29, 2022	Pending County action*
King County Fire Protection District No. 24	Fire	King	October 28, 2021	Pending County action*
Lewis County Water District No. 3	Water	Lewis	December 28, 2020	Pending County action*
Rocky Point Water District No. 12	Water	Kitsap	December 28, 2020	Pending County action*
Lakeview Sewer District No. 1	Sewer	Lincoln	December 28, 2020	Pending County action*

**County action to dissolve the government or appoint a new governing body of the district*

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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