



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Adams County Water District No. 1

For the period January 1, 2021 through December 31, 2023

Published July 28, 2025

Report No. 1037789



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

July 28, 2025

Board of Commissioners
Adams County Water District No. 1
Othello, 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 complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to annual report filing, payroll, treasury activities, and accounts receivable for utility adjustments that we communicated to District management and the Board of Commissioners in a letter dated July 21, 2025. We appreciate the District's commitment to resolving those matters.

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 Adams County Water District No. 1 from January 1, 2021 through December 31, 2023.

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, 2023, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Payroll – gross wages and electronic fund transfers
- Treasury activities – bank reconciliations for the revolving account
- Accounts receivable – utility adjustments and comprehensive plan
- Annual report filing – timeliness and completeness
- Cash receipting – timeliness and completeness of deposits
- Accounts payable – general disbursement
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Adams County Water District No. 1 January 1, 2021 through December 31, 2023

2023-001 The District lacked adequate internal controls for ensuring compliance with the Open Public Meetings Act.

Background

A three-member Board of Commissioners governs Adams County Water Protection District No. 1, which had annual expenditures of \$720,000 in 2021, 569,000 in 2022 and 635,000 in 2023.

The District is responsible for designing, implementing and maintaining internal controls that ensure compliance with state law and the *Budgeting, Accounting and Reporting System* (BARS) Manual. These controls should also provide reasonable assurance the District is safeguarding public resources.

The Washington Open Public Meetings Act (OPMA) requires the District to conduct any discussion and business decisions, including approval of vouchers and resolutions, in an open public forum. A meeting subject to the OPMA occurs when a quorum of the Commissioners gathers to conduct District business. State law (RCW 42.30.070) requires the District to hold regular public meetings at a frequency established by resolution. The OPMA requires the District to adequately document these meetings and make minutes publicly available. Additionally, the BARS Manual requires these meeting minutes to document the governing body's approval of expenditures, including the warrant, check or voucher number range and total amounts approved for payroll and accounts payable.

Description of Condition

The District lacked effective internal controls for ensuring compliance with OPMA and BARS Manual requirements for meeting minutes. Our audit found the District:

- Held 34 meetings from August 1, 2022, through May 31, 2025, but did not establish a set meeting schedule by ordinance, resolution or rule, as state law requires.
- Did not have documented meeting minutes for any of its meetings

We reported this issue as a finding in the prior audit.

Cause of Condition

District staff set an internal meeting schedule verbally among staff; however, they were not aware of the requirement to establish a set meeting schedule by ordinance, resolution or rule, as state law requires.

According to the District, staff previously stored meeting minutes in a District shed that had a water leak, damaged the meeting minutes. The District then stored the meeting minutes on a computer. The computer was recently damaged and the District was not able to recover those minutes.

Effect of Condition

When the District does not properly conduct and record open public meetings, it has no official record of the business it conducted. This limits transparency and the public's knowledge and understanding of the District's operations, including spending activity and timely expenditure approvals.

Recommendation

We recommend the District:

- Have each Commissioner take available trainings about the OPMA, as state law (RCW 42.30.205) requires
- Conduct meetings at a frequency established by resolution and prepare and retain records that clearly demonstrate compliance with the OPMA. Minutes should provide an accurate record of the District's actions and be available for public inspection.
- Store official meeting minutes in a secure location that limits the risk of loss or damage

District's Response

The ACWD#1 will have commissioners take training from OPMA on the meetings. The ACWD#1 will type meeting minutes they will be printed and stored in a binder that will be placed in the office.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Chapter 42.30 RCW, Open Public Meetings Act

RCW 42.30.205, Training.

RCW 42.30.070, Times and places for meetings – Emergencies - Exceptions

Chapter 40.14 RCW, Preservation and Destruction of Public Records

Chapter 42.56.100 RCW, Protection of Public Records

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.1.3, Internal Control

BARS Manual, 3.1.4, Original Supporting Documentation

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124 S BROADWAY AVE.
OTHELLO, WA 99344
(509) 488-3529

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Adams County Water District No. 1
January 1, 2021 through December 31, 2023

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

Audit Period: January 1, 2018 through December 31, 2020	Report Ref. No.: 1030866	Finding Ref. No.: 2020-001
Finding Caption: The District's internal controls over annual report filing were inadequate for ensuring it submitted annual reports to the State Auditor's Office in a timely manner, as state law requires.		
Background: State law (RCW 43.09.230) requires local governments to submit annual financial reports to our Office within 150 days of the end of their fiscal year. The District did not adequately monitor operations to ensure it filed annual reports with our Office in a timely manner for 2018 and 2020.		
Status of Corrective Action: (check one) <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>		
Corrective Action Taken: <i>Annual report has been filed on time.</i>		

Audit Period: January 1, 2018 through December 31, 2020	Report Ref. No.: 1030866	Finding Ref. No.: 2020-002
Finding Caption: The District lacked adequate internal controls and monitoring to ensure compliance with the Open Public Meetings Act and Public Records Act.		
Background: <p>The Open Public Meetings Act (OPMA) requires the District to hold discussions and make business decisions in an open public forum, and formally establish a set schedule for regular meetings. The District is also required to promptly record minutes of regular and special meetings and make them open for public inspection.</p> <p>State law and the Budgeting, Accounting and Reporting System (BARS) manual requires the District to properly approve transactions before issuing payment, which should be recorded in the District's meeting minutes. The Public Records Act (PRA) also requires the District to preserve and protect public records from damage or disorganization, and to retain documents necessary to isolate and prove the validity of every transaction relating to the receipt, use, and disposition of all public funds and property.</p> <p>The District held 48 meetings from January 1, 2018, through December 31, 2021. Of these meetings, we identified the following:</p> <ul style="list-style-type: none"> • The District did not establish a set meeting schedule by ordinance, resolution, or rule, as state law requires. • The District did not have documented meeting minutes for 21 sessions. • In the minutes available for audit, the District did not document the Board's approval of specific voucher and payroll transactions or the voting results for actions taken during the meeting. 		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>Due to new staff corrective action was not taken.</i>		

INFORMATION ABOUT THE DISTRICT

Adams County Water District No. 1 provides water services to approximately 240 customers in the Othello, WA area. An elected, three-member Board of Commissioners governs the District. Commissioners serve staggered, six-year terms.

The Board appoints an Office Manager to oversee the District's operations as well as its eight employees. The District operates on a yearly budget of about \$730,000 in revenues.

Contact information related to this report

Contact:	Dora Morelos, manager
Telephone:	(509) 855-2894

Information current as of report publish date.

Audit history

You can find current and past audit reports for Adams County Water District No. 1 at <https://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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