

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Marshland Flood Control District**  
**Snohomish County**

Report Date  
**November 22, 2006**

**Report No. 72006**

Issue Date  
**January 19, 2007**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

January 19, 2007

Board of Directors  
Marshland Flood Control District  
Snohomish, Washington

***Report on Accountability for Public Resources***

Please find attached our report on the Marshland Flood Control District's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Snohomish County  
November 22, 2006**

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# Audit Summary

**Marshland Flood Control District  
Snohomish County  
November 22, 2006**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Marshland Flood Control District.

We performed audit procedures to determine whether the District complied with state laws and regulations and its own policies and procedures. We also examined District management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2003, through December 31, 2005.

## ***RESULTS***

The District complied with state laws and regulations and its own policies and procedures in the areas we examined. We are reporting a finding concerning compliance with competitive bid laws. In addition, we noted certain issues that we communicated to District's management.

## ***CLOSING REMARKS***

We thank District officials and personnel for their assistance and cooperation during the audit.

# Description of the District

## **Marshland Flood Control District Snohomish County November 22, 2006**

### ***ABOUT THE DISTRICT***

The Marshland Flood Control District was formed in the 1950s to provide flood protection to farms and homes within the District. The District serves approximately 118 landowners. The District has two part-time employees and generated approximately \$156,450.84 in revenue for 2005.

### ***AUDIT HISTORY***

The District is normally audited on a three-year cycle. However, from 2000 through 2002, the District received federal single audits due to its federal expenditures exceeding \$300,000. The District has not had findings since 1994.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Don Bailey  
John Misich  
Dennis Thomas (January 2003 through December 2003)  
Marvin Thomas ( effective January 2004 )

### ***APPOINTED OFFICIALS***

Attorney  
Office Manager

Gary Brandstetter  
Paul Reasoner

### ***ADDRESS***

District

P.O. Box 85  
Snohomish, WA 98291-0085

# Audit Areas Examined

## **Marshland Flood Control District Snohomish County November 22, 2006**

In keeping with general auditing practices, we do not examine every portion of the Marshland Flood Control District's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

### ***ACCOUNTABILITY FOR PUBLIC RESOURCES***

We evaluated the District's accountability in the following areas:

- Payroll
- Open Public Meetings Act
- Conflict of interest
- Gifting of public funds
- Compensation of elected officials
- Long-term debt
- Insurance and risk management

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Insurance and bonding
- Ethics/conflict of interest laws
- Competitive bid law compliance
- Open Public Meetings Act

# Schedule of Audit Findings

## Marshland Flood Control District Snohomish County January 1, 2003 through December 31, 2005

### 1. The Marshland Flood Control District did not comply with state bid law.

#### Description of Condition

The District paid a contractor \$157,313.17 for ditch maintenance and construction from 2003 through 2005 without a formal contract or competitively bidding the services. State law requires flood control districts to competitively bid all public works contracts.

#### Cause of Condition

The District was unaware that a signed contract with the service provider was necessary. The District believed that a certain piece of equipment owned and operated by the contractor was required for ditch maintenance and was not readily available from other contractors.

#### Effect of Condition

The District cannot be sure it obtained the services provided at the lowest cost. Also, without a signed contract in place, the District may not receive the expected services at the agreed-upon prices.

#### Recommendation

Although we recognize the District complied with competitive bidding requirements on other projects examined during the audit, we recommend that the District comply with state bid laws for all public works projects. The District should also ensure that a signed contract is in place before allowing service providers to begin public works projects.

#### District's Response

*The District will be enacting a bid system for dike and drainage maintenance. With this action we hope to stay in good standings with the Washington State Auditor's Office.*

#### Auditor's Remarks

We appreciate the District's response to this finding and we will review the District's new system during our next audit.

#### Applicable Laws and Regulations

RCW 86.09.178

Contracts for construction or for labor or materials entering into the construction of any improvement authorized by the district shall be awarded at public bidding except as herein otherwise provided. A notice calling for sealed proposals shall be published in such newspaper or newspapers of general circulation as the board shall designate for a period of not less than two weeks (three weekly

issues) prior to the day of the opening of the bids. Such proposals shall be accompanied by a certified check for such amount as the board shall decide upon, to guarantee a compliance with the bid and shall be opened in public at the time and place designated in the notice. The contract shall be awarded to the lowest and best responsible bidder: PROVIDED, that the board shall have authority to reject any or all bids, in which event they shall re-advertise for bids and, when no satisfactory bid is then received and with the written approval of the director, may proceed to construct the works by force account.

#### RCW 39.04.010

##### Definitions

The term state shall include the state of Washington and all departments, supervisors, commissioners and agencies thereof.

The term municipality shall include every city, county, town, district or other public agency thereof which is authorized by law to require the execution of public work, except drainage districts, diking districts, diking and drainage improvement districts, drainage improvement districts, diking improvement districts, consolidated diking and drainage improvement districts, consolidated drainage improvement districts, consolidated diking improvement districts, irrigation districts or any such other districts as shall from time to time be authorized by law for the reclamation or development of waste or undeveloped lands.

The term public work shall include all work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein. All public works, including maintenance when performed by contract shall comply with the provisions of RCW 39.12.020. The term does not include work, construction, alteration, repair, or improvement performed under contracts entered into under RCW 36.102.060(4) or under development agreements entered into under RCW 36.102.060(7) or leases entered into under RCW 36.102.060(8).

The term contract shall mean a contract in writing for the execution of public work for a fixed or determinable amount duly awarded after advertisement and competitive bid. However, a contract which is awarded from a small works roster need not be advertised.