

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

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**Samish Water District**  
**Whatcom County**

Report Date  
**April 2, 2007**

**Report No. 72835**

Issue Date  
**June 22, 2007**



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



**Washington State Auditor  
Brian Sonntag**

June 22, 2007

Board of Commissioners  
Samish Water District  
Bellingham, Washington

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

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

In addition to this work, we also audit the District's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Whatcom County  
April 2, 2007**

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# Audit Summary

## **Samish Water District Whatcom County April 2, 2007**

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Samish Water 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, 2004, through December 31, 2006.

### ***RESULTS***

In most areas we examined, the District complied with state laws and its own policies and procedures. However, we noted certain issues we communicated to management.

The District is required to use the County Treasurer as its fiscal agent. The District has a large petty cash account of \$3,500. During our audit, we noted the District was paying monthly credit card and gas card bills out of this account. In doing so, the District was not in compliance with state law requiring these payments be made through the County Treasurer.

We further noted the District has inadequate policies regarding what can be purchased with District credit cards. The District does not have supporting documentation, adequate controls and monitoring of fuel purchases for its take-home vehicles. We noted:

- Credit card payments made through the petty cash account were \$9,059.21 in 2005 and \$6,767.90 in 2006.
- The District paid \$5,076.10 for gas card purchases during 2006.

The District indicated it was using the petty cash account to avoid late charges.

Insufficient controls, monitoring and documentation supporting district expenditures increase the risk that District assets could be misappropriated and not used for allowable purposes.

We recommended the District develop and follow policies and procedures to ensure adequate controls, monitoring and supporting documentation over all District expenditures.

Additionally, in connection with our accountability audit of the District, we requested a management representation letter to confirm explicit or implicit representations made by the District. The Board refused to sign the letter related to controls and compliance.

Without these representations, the public cannot be assured the State Auditor's Office has received all information required to perform its audit and the Board sufficiently monitors management and District activities.

### ***CLOSING REMARKS***

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

# Description of the District

## **Samish Water District Whatcom County April 2, 2007**

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

The Samish Water District provides sewer services within its boundaries around Lake Samish in Whatcom County and to the Samish River Basin, which includes the Cain Lake area in Whatcom County and along the Interstate 5 corridor to the City of Burlington in Skagit County.

The District has three full-time employees and one part-time employee. Revenue for the District is mainly from fees charged for sewer service and connections, with total receipts of \$823,510 in 2006. The District is governed by a three-member Board of Commissioners, elected by the voters of the District.

### ***AUDIT HISTORY***

We audit the District every three years. In the last two audit cycles, no findings were reported for the District.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:

Jeff Feemster (resigned 2004)  
Herb Barker  
Mike Roberts  
Barry Antos

### ***APPOINTED OFFICIALS***

District Manager

Terry Klimpel

### ***ADDRESS***

District

2195 Nulle Road  
Bellingham, WA 98225  
(360) 734-5664  
(360) 715-1626 (fax)

# Audit Areas Examined

## Samish Water District Whatcom County April 2, 2007

In keeping with general auditing practices, we do not examine every portion of the Samish Water 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:

- Cash receipting
- Petty cash, change and revolving accounts
- Inventory
- Safeguarding of assets
- Cash disbursements
- Voucher/purchase system
- Credit card use
- Billing and account receivables
- Fixed assets

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

- Deposit and investment of public funds
- Timely deposit of public funds
- Use of restricted funds
- Risk management
- Insurance and bonding
- Ethics/conflict of interest laws
- Open Public Meetings Act
- Competitive bid law compliance
- Public works contracts
- Contracts and agreements
- State prevailing wage requirements
- Credit card use
- Purchase card use
- Legal and supported payments