

# Schedule of Federal Audit Findings and Questioned Costs

## North Yakima Conservation District Yakima County January 1, 2004 through December 31, 2004

### 1. The North Yakima Conservation District did not comply with the Davis-Bacon (prevailing wage) Act.

<b>CFDA Number and Title:</b>	81.999 Yakima Tributary Access and Habitat Program
<b>Federal Grantor Name:</b>	U.S. Department of Energy, Bonneville Power Administration
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	South Central Washington Resource Conservation and Development
<b>Pass-through Award/Contract Number:</b>	9726
<b>Questioned Cost Amount:</b>	\$0

#### Background

The District received \$301,428 in federal funding under the Yakima Tributary Access and Habitat Program related to conservation projects during 2004. The District paid one contractor approximately \$90,000 for one project; the remainder of work was performed by the District. Under the grant agreement, the District was responsible for ensuring federal and state laws and regulations pertaining to this project were followed.

#### Description of Condition

For federally funded construction projects that exceed \$2,000, the Davis-Bacon Act requires contractors to pay federally prescribed prevailing wages to laborers. This Act also requires recipients of federal funds to obtain weekly, certified payrolls from all contractors and subcontractors to ensure that prevailing wages are properly paid.

During our review of the District's project, we noted internal controls were not adequate to ensure compliance with prevailing wage requirements as they relate to the grant. District management determined the contractor was a sole-proprietor that did not employ workers; therefore, it did not obtain the weekly certifications. However, the contractor is still required to complete the weekly certifications with a statement to that effect.

#### Cause of Condition

The District was not fully aware of the Davis-Bacon Act requirements. District management did not understand its responsibility to obtain the documents and verify adequate wages paid. Management was under the assumption they only had to include the language in the contract.

## **Effect of Condition**

Contractors are required to pay the higher of federal prevailing wage rates or state prevailing wages per worker classification. Without adequate internal controls, the District cannot ensure contractors paid their workers the proper prevailing wages.

## **Recommendation**

We recommend the District ensure all requirements of the Davis-Bacon Act are followed.

## **District's Response**

*The North Yakima Conservation District (NYCD) was made aware of the requirements of the Bacon-Davis Act as a result of the 2004 audit. NYCD is fully aware of the requirements including the weekly collection of "statement of compliance" reports from contractors subject to this requirement and is prepared to fully implement the "Act".*

## **Auditor's Remarks**

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

We thank District officials for the assistance we received during the audit.

## **Applicable Laws and Regulations**

The 29 Code of Federal Regulations (CFR) 3.3(b) contains the Davis-Bacon Act that applies to all federal assistance programs that fund construction projects and states in part:

Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on form WH 348, "Statement of Compliance", or on an identical form on the back of WH 347, "Payroll (For Contractors Optional Use)" or on any form with identical wording.

Office of Management and Budget (OMB) Circular A-133, Subpart C, 300 Auditee responsibilities, describes the District's responsibility to establish controls to ensure compliance with the Davis Bacon Act and states in part:

The auditee shall . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

# Schedule of Federal Audit Findings and Questioned Costs

## North Yakima Conservation District Yakima County January 1, 2004 through December 31, 2004

### 2. North Yakima Conservation District's internal controls are inadequate to ensure compliance with federal suspension and debarment requirements.

<b>CFDA Number and Title:</b>	81.999 Yakima Tributary Access and Habitat Program
<b>Federal Grantor Name:</b>	U.S. Department of Energy, Bonneville Power Administration
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	South Central Washington Resource Conservation and Development
<b>Pass-through Award/Contract Number:</b>	9726
<b>Questioned Cost Amount:</b>	\$0

#### Description of Condition

We reviewed the District's internal controls and compliance with the Yakima Tributary Access and Habitat Program grant. The District spent \$301,428 in federal funding under the program during fiscal year 2004.

Federal guidelines require grant recipients ensure vendors with contracts exceeding \$25,000 are not suspended or debarred from participating in federal programs. The grant recipient can do this by checking the federal Excluded Parties List System, by obtaining a certificate from vendors stating they have not been suspended or debarred or by including a clause in the contract.

The District contracted with a vendor for approximately \$90,000 in 2004. We found the District did not obtain certifications and could not provide documentation to show it checked the list. The District did not have knowledge of the requirements and threshold for verification.

We determined the vendor in question was not suspended or debarred.

#### Cause of Condition

The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements due to a lack of knowledge of federal requirements and sufficient guidelines from the grantor.

#### Effect of Condition

Inadequate internal controls over this requirement increases the risk of awarding funds to parties who are suspended or debarred from federal projects. If a party is suspended or debarred, any payment to them is unallowable and subject to repayment. Inadequate internal controls caused the District to be out of compliance with federal compliance requirements.

## Recommendation

We recommend the District establish internal controls over federal suspension and debarment requirements to ensure vendors have not been suspended or disbarred.

## District's Response

*The North Yakima Conservation District (NYCD) had checked the EPLS for disbarment prior to awarding the contract but did not retain a physical copy from the system in our files. As a result of the 2007 audit, NYCD was made aware of this issue. The NYCD will maintain a copy of this report to support our awards of contracts in the future. In addition the below listed regulations will be used if applicable prior to contracting.*

## Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

We thank District officials for the assistance we received during the audit.

## Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300, states:

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

Title 2, Code of Federal Regulations, Section 180.330, states:

Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to--

- (a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless Sec. 180.440 requires you to use specific methods.

(b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.

Bonneville Financial Assistance Instructions (BFAI), 4.2 APPLICANT RESPONSIBILITY POLICY, states in part:

(b) Awards may not be made to organizations named in the Excluded Parties Listing System, which can be viewed online at <http://epls.arnet.gov/>. The applicant is responsible for informing the FAO of any exclusion actions in place or pending during application or award phase. The FAO shall check the list before awarding any financial assistance.