



Office of the Washington State Auditor

Pat McCarthy

Exit Letter: Walla Walla County Fire Protection District No. 3

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and to develop strategies that make government more efficient and effective.

The purpose of this letter is to share our audit results with management and the Board. This letter is not your official audit report, which will be published on our website. You will receive a separate email with an alert that the report is available.

Audit Highlights

- We appreciated the District's cooperation as well as the thorough and organized replies and responses to document requests.

About the Audit

We performed an assessment audit of Walla Walla County Fire Protection District No. 3 for the years 2019 and 2020. This is a risk-based audit wherein we review the annual reports Walla Walla County Fire Protection District No. 3 submitted to our Office. We typically perform assessment audits for governments that receive \$300,000 or less in annual revenues or for school districts with less than 250 full-time students. If the government exceeds the thresholds stated or does not comply with filing requirements, or other risk factors are present, then we could perform an onsite audit in the future. Further, if expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office because federal rules require the District to receive a financial and federal audit for that year.

Audit Results

Based on the procedures performed, nothing came to our attention in the areas we reviewed that caused us to believe the District did not substantially comply with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Recommendations not included in the Audit Report

Exit Items

We have provided exit recommendations for management's consideration in a separate, attached document. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report. A summary of the exit items is attached to this letter.

Status of Prior Audit Recommendations

Brief Description	Resolved	Unresolved
Verbal Recommendation – Prevailing Wage Requirements		X

Additional Reminders

Below is a list of areas where small local governments might need additional guidance.

Board Compensation

Elected Official rate of pay is set by RCW, depending on your government type. Any Board member who receives less than the full allowable compensation must sign a waiver of compensation and file it with the government's secretary. Please let us know if you would like an example of this waiver.

Procurement and Public Works Projects

State law (RCW 39.04) requires competitive procurement for public works projects and purchases of supplies and equipment for most local government types. Laws that require specific methods of procurement differ by government type. Further, all public works contracted for by the government must meet state prevailing wage requirements by obtaining an "Affidavit of Prevailing Wages Paid" from the contractor unless the work is performed exclusively by the business owner.

For additional guidance on public works projects and procurement for your government type, please visit Municipal Research and Services Center of Washington's website: [Procurement and Public Works Requirements](#)

Credit Cards

The state Department of Enterprise Services has a Purchase Card Contract with US Bank that local governments are eligible to use. The card has no annual fee and offers annual rebates on purchases made using the card. For more information, go to [Purchase Card Guidance](#).

It is also important to note that having policies and procedures for credit/debit cards and charge account use is important for safeguarding the local government's funds. State law (RCW 43.09.2855) allows local governments to use credit cards. This law provides some guidelines for their use, which include adopting a system for their distribution, control, authorization, etc.

Working Together to Improve Government

Local Government Support Team

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS), annual online filing technical assistance, and training on accounting, reporting and BARS. Our website and client portal offer many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS Manuals, access to resources and recorded trainings, and other accounting and reporting resources. Additionally, this team helps with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you assist the residents you serve, at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more

efficient, effective, and transparent. The Center also provides financial management technical advice, best practices, and resources. These can be accessed from the “Improving Government” tab of our website and can help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to similar local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. If you are interested in learning how the Center can help you maximize your effect in government, call (564) 999-0818 or send an email to Center@sao.wa.gov.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in a PDF. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Audit Cost

In the entrance communication, we estimated the cost of the audit to be \$1,850, and actual audit costs will approximate that amount. Billing invoices are sent at the beginning of the month after the report issuance.

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Concluding Comments

We appreciate your assistance throughout the audit. We hope you find the information above informative and helpful to the government’s operations. If you have any questions or concerns, please call or email at your convenience and we can discuss your audit.

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Exit Recommendations
Walla Walla County Fire Protection District No. 3
Audit Period Ending: 12/31/2020

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Assessment Audit:

Purchasing/Procurement (Bidding/Prevailing Wages)

We identified that the District did not appropriately conduct and documenting sourcing for a services transaction, leading to cost overruns. We acknowledge that the District was transparent and forthcoming with this matter.

We further identified that the District did not comply with the prevailing wage requirements for public works projects, specifically roofing. In this review, we identified that prevailing wage intents and affidavits have not been filed on behalf of the District since 2010.

We recommend the District take steps to improve controls over its procurement activity, including:

- Establishing a written policy addressing purchasing/procurement and delegated authority, specifically to include purchasing not directly addressed statutory requirements (e.g., service expenditures and below competitive bidding thresholds)
- Ensuring documentation is retained for all bids/quotes, and
- Taking appropriate steps to resolve discrepancies (such as consulting legal counsel).

We further continue to recommend the District comply with prevailing wage provisions of state law (Chapter 39.12 RCW; specifically, RCW 39.12.040) which requires:

- All contracts for public works state the hourly prevailing wage rate(s) as determined by the state Department of Labor and Industries and a requirement that workers not be paid less than the specified hourly rate.
- The District receives a "Statement of Intent to Pay Prevailing Wages" from the contractor and every subcontractor.
- The District refrains from making any payments until all statements of intent have been received.
- The District receives an "Affidavit of Wages Paid" from the contractor and every subcontractor before final project acceptance/release of retainage.

Reference/Resources

Chapter 39.12 RCW: <https://apps.leg.wa.gov/RCW/default.aspx?cite=39.12&full=true>

MRSC, Contracting Tool: <http://mrsc.org/Home/Research-Tools/Contracting-Requirements.aspx>

MRSC, "No Responses to Your Bid: What Next?": <https://mrsc.org/Home/Stay-Informed/MRSC-Insight/January-2022/No-Responses-to-Your-Bid-What-Next.aspx>

The Center, "Buying and Bidding: Washington purchasing laws":

<https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18561>

WA-LNI, Public Works Scopes: <https://lni.wa.gov/licensing-permits/public-works-projects/scopes-of-work>



Exit Recommendations
Walla Walla County Fire Protection District No. 3
Audit Period Ending: 12/31/2020

Asset Management/Capitalization (Policies)

We identified that the District does not have a written asset management policy and has not established a capitalization threshold.

We recommend the District establish a written asset management policy, to include a capitalization threshold, as required by the BARS Manual 3.3.8.

Reference

BARS Manual 3.1.3, Internal Control: https://sao.wa.gov/bars_cash/accounting/accounting-principles-and-internal-control/internal-control/

BARS Manual 3.3.8, Capital Assets Management: https://sao.wa.gov/bars_cash/accounting/capital-assets/capital-assets-management/

Disbursement Support

We identified that the District lacked adequate invoices/receipts for a limited number of disbursements tested.

We recommend the District take steps to ensure original supporting documentation for disbursements is maintained, as required by state law (RCW 43.09.200). All disbursements should have original supporting documentation to isolate and validate the use of public funds.

Reference

BARS Manual 3.1.4, Original Supporting Documentation: https://www.sao.wa.gov/bars_cash/accounting/accounting-principles-and-internal-control/original-supporting-documentation/