



Washington State Auditor's Office

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Accountability Audit Report North City Water District King County

For the period January 1, 2013 through December 31, 2014

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Washington State Auditor's Office

November 12, 2015

Board of Commissioners
North City Water District
Shoreline, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary	4
Status Of Prior Audit Findings	5
Related Reports	6
Information About The District	7
About The State Auditor's Office	8

AUDIT SUMMARY

Results in brief

In the areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the North City Water District from January 1, 2013 through December 31, 2014.

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.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Financial condition
- Disbursements
- General policies and procedures

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the North City Water District. The State Auditor’s Office has reviewed the status as presented by the District.

Audit Period: 1/1/2013 – 12/31/2013	Report Ref. No.: 1013644	Finding Ref. No.: 2013-002	CFDA Number: 66.468
Federal Program Name and Granting Agency: Capitalization Grants for Drinking Water State Revolving Funds, U.S. Environmental Protection Agency		Pass-Through Agency Name: Department of Commerce	
Finding Caption: The District’s internal controls were inadequate to ensure compliance with Federal Davis-Bacon Act (prevailing wage) and procurement requirements.			
Background: Federally funded construction projects that exceed \$2,000 require contractors to pay federally prescribed prevailing wages to laborers, per the Davis-Bacon Act. The Act also requires recipients of Federal funds to obtain weekly certified payrolls for all contractors and subcontractors to ensure prevailing wages are paid. The District did not obtain weekly certified payroll for nine out of eleven pay periods for the 615 Zone Expansion Improvements and Water Main Replacement projects. By not obtaining weekly certified payrolls, the District could not ensure, prior to disbursement of loan funds, all contractors and subcontractors were paid prevailing wages as required by Federal law. In addition, the District was not aware of the requirement to competitively bid projects that exceed the Federal simplified acquisition threshold of \$100,000 and therefore used a small works roster to contact contractors instead of sealed bids with formal advertising.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District put the North City Pump Station project out to bid and awarded the project in the spring of 2015. The District’s Operation Manager is currently collecting weekly certified payrolls on this project. The result of the prior federal audit was communicated with the Public Works Board, Public Works Board staff and the Department of Health staff, specifically regarding the difference in federal and state small works project bid limits. The District is aware of the \$100,000 federal bid limit on this remaining project and does not anticipate awarding any bids under this threshold.</i>			

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report issued in October 2015, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

The North City Water District (formerly Shoreline Water District) is located in the northern part of King County and has approximately 8,200 connections from the Snohomish County line to the City of Seattle and from Interstate 5 east to Lake Washington. The District maintains nearly 100 miles of mains, two reservoirs, 700 hydrants, four supply stations, two booster stations and one pump station.

An elected, three-member Board of Commissioners governs the District. The Board appoints a District Manager to oversee the District's daily operations as well as its 14 employees. The District derives most of its operating revenue from the sale of water. Other nonoperating revenue includes administrative fees and charges. For fiscal years 2013 and 2014, the District operated on annual budgets of approximately \$5.4 million and \$6 million, respectively.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the North City Water District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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