

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

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**Public Utility District No. 1 of Klickitat  
County**

Report Date  
**March 19, 2010**

**Report No. 1003358**

Issue Date  
**April 12, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

April 12, 2010

Board of Commissioners  
Public Utility District No. 1 of Klickitat County  
Goldendale, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Public Utility District No. 1 of Klickitat County's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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March 19, 2010**

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# Audit Summary

## Public Utility District No. 1 of Klickitat County March 19, 2010

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

This report contains the results of our independent accountability audit of Public Utility District No. 1 of Klickitat County for the period from January 1, 2007, through December 31, 2009.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Utility billing and adjustments
- Cash receipting
- Bid law compliance
- Conflict of interest
- Payroll and benefits
- Procurement cards
- Surplus property
- Collection of accounts receivable
- Electronic fund transfers
- Net metering
- Fuel mix disclosure
- Petty cash

### ***RESULTS***

In the areas we examined, the District's internal controls were adequate to safeguard public assets. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

# Related Reports

## Public Utility District No. 1 of Klickitat County March 19, 2010

### **FINANCIAL**

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the District.

For fiscal year 2007, the firm reported a significant deficiency or material weakness in internal controls over financial reporting regarding the following:

- Segregation of duties in the financial close and reporting process
- Hand posted entries
- Monitoring and closing of plant work orders
- Reconciliation procedures
- Accuracy of subsidiary records
- Grant revenue
- Unbilled revenue
- Implementation of proper cutoff procedures

For fiscal year 2008, the firm reported a significant deficiency or material weakness in internal controls over financial reporting regarding the following:

- Segregation of duties in the financial close and reporting process
- Monitoring and closing of plant work orders
- Reconciliation procedures
- Accuracy of subsidiary records
- Implementation of proper cutoff procedures
- White Creek amortization and recognition of gain
- Unbilled revenue

The firm's written communication regarding these internal control deficiencies is available from the District.

# **Description of the District**

## **Public Utility District No. 1 of Klickitat County March 19, 2010**

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

Public Utility District No. 1 of Klickitat County consists of the electric system, nine water systems and six wastewater systems. The water systems serve the communities of Wishram, Roosevelt, Klickitat, Glenwood, Dallesport and Lyle, along with rural subdivisions Cliffs, Rimrock and Ponderosa Park. The six wastewater systems serve the communities of Wishram, Roosevelt, Klickitat, Glenwood, Lyle and Dallesport. As of December 31, 2009, the District had 12,068 electric, 1,133 water and 1,154 wastewater customers.

An elected, three-member Board of Commissioners governs the District. The Board appoints management to oversee the District's operations as well as its approximately 84 employees. For the years under audit, the District had annual operating revenue in excess of \$46 million, mostly from the operation of the electric system.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:

Dan Gunkel  
Ray Mosbrucker  
Randy Knowles

### ***APPOINTED OFFICIALS***

General Manager

Jim Smith

### ***DISTRICT CONTACT INFORMATION***

Address: Public Utility District No. 1 of Klickitat County  
1313 S. Columbus  
Goldendale, WA 98620

Phone: (509) 773-5891

Web site: [www.klickpud.com](http://www.klickpud.com)

## ***AUDIT HISTORY***

We typically audit the District every year. However, the District now contracts with a certified public accounting firm to perform the financial statement audit. This accountability audit report covers a three-year period. A finding was issued for fiscal year 2006 relating to internal controls over financial reporting. The District is continuing to make improvements to these internal controls.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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