

Washington State Auditor's Office
Accountability Audit Report

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

Report Date
October 24, 2012

Report No. 1008781

Issue Date
December 17, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 17, 2012

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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October 24, 2012**

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Audit Summary

Public Utility District No. 1 of Klickitat County October 24, 2012

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Public Utility District No. 1 of Klickitat County from January 1, 2011 through December 31, 2011.

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:

- Change orders
- Procurement of public works
- Utility billing and receipting
- General disbursements
- Payroll
- Compliance with debt covenants
- Use of bond proceeds
- Pole attachment revenue
- Self-insured unemployment
- Conservation loans

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
October 24, 2012**

FINANCIAL

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

Description of the District

Public Utility District No. 1 of Klickitat County October 24, 2012

ABOUT THE DISTRICT

Public Utility District No. 1 of Klickitat County consists of an 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, 2011, the District had 12,175 electric, 1,145 water and 1,171 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 89 employees. For 2011, the District had annual operating revenue in excess of \$40 million, mostly from the operation of the electric system.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Dan Gunkel
Ray Musbrucker
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) 773-7645

Website: www.klickpud.com

AUDIT HISTORY

We typically audit the District on an annual basis. The past five years have reported two findings. The fiscal year 2006 audit reported a finding related to internal controls over financial statement preparation. The prior audit of fiscal year 2010 contained one finding regarding significant change orders that did not comply with bid laws. These findings have been resolved.

Status of Prior Audit Findings

Public Utility District No. 1 of Klickitat County October 24, 2012

The status of findings contained in the prior years' audit reports of the District is provided below:

- 1. The District incurred significant change orders during its landfill gas expansion project that did not comply with state competitive bid law. As a result, the District cannot ensure it received the best price possible.**

Report No. 1006777, dated October 28, 2011.

Background

During 2010, the District approved significant change orders during its landfill gas expansion project that did not comply with state competitive bid law. In total, these change orders elevated the cost of the project by \$12,405,196.

Status

Based on our current year audit of selected public works projects, we determined the District complied with applicable bid law requirements. We consider this finding resolved.



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.

Our mission is to work 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 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 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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