

# Columbia County

## Profile

### General

**Code:** 06Columbia-AC17-SA17  
**Name:** Columbia County  
**Group:** Tri-Cities  
**Type:** 06-County  
**Location:** Columbia  
**Scope:** Accountability, Financial, SA  
**Lead:**  
**Manager:**

## Issues

ISS.1 - E - SEFA Preparation	
<b>Prepared By:</b> MDR, 9/6/2018 <b>Reviewed By:</b> DHO, 9/19/2018 <b>Type:</b> Single Audit <b>Category:</b> Grants (Federal)	<b>Issue</b> During our review of the County's Schedule of Expenditures of Federal Awards (SEFA), we determined: <ul style="list-style-type: none"><li>The Prosecutor's Office was filling out the Departmental SEFA Form based on revenues rather than expenditures resulting in an overstatement of \$10,493.</li></ul>

## Columbia County

<p><b>Reporting Level(s):</b> Exit Item</p> <p><b>Impact</b></p> <p><b>Cost Savings:</b></p> <p><b>Questioned Costs:</b> \$0.00</p>	<ul style="list-style-type: none"> <li>• The Public Works department miscalculated three federal highway construction projects resulting in an understatement of \$6,890.</li> <li>• The Auditor's Office recorded a federal grant by mistake resulting in an overstatement of \$5,984.</li> <li>• The Public Health Department miscalculated a grant by using revenues rather than expenditures resulting in an overstatement of \$20,790.</li> </ul> <p>We recommend the County ensure complete and accurate reporting on the Schedule of Expenditures of Federal Awards.</p>
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### NOTES

### ISS.2 - E - County Policies

<p><b>Prepared By:</b> MDR, 8/22/2018</p> <p><b>Reviewed By:</b> GLW, 8/27/2018</p> <p><b>Type:</b> Accountability</p> <p><b>Category:</b> Other</p> <p><b>Reporting Level(s):</b> Exit Item</p> <p><b>Impact</b></p> <p><b>Cost Savings:</b></p> <p><b>Questioned Costs:</b> \$0.00</p>	<p><b>Issue</b></p> <p>During our review of prior audit issues we found that there were several recommendations related to policies that have not yet been developed or approved. They include:</p> <p><b>Bonus Payments</b> The County was not able to provide a policy for the application of Bonus Payments (in the form of more Holiday hours being awarded to employees).</p> <p><b>Gifting of Public Funds</b> The County was not able to provide a policy for the waiving of rental fees at the youth center.</p> <p><b>Cash Receipting</b> The County was not able to provide a policy for the cash receipting processes and procedures at the Fairgrounds.</p>
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## Columbia County

	<p>During our audit testing, we also found recommendations related to policies that have not yet been developed or approved. They include:</p> <p>Credit Cards The County was not able to provide a policy for credit cards in accordance with RCW 43.09.2855.</p> <p>We again recommend that the County develop and implement policies to address Bonus Payments, Gifting of Public Funds, Cash Receipting, and Credit Cards to safeguard County assets. We also recommend that the County develop and implement policies to address Credit Card expenditures to safeguard County assets.</p>
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<b>NOTES</b>

<b>ISS.3 - E - Federal Procurement Policies</b>		
<p><i>Prepared By:</i> MDR, 7/19/2018</p> <p><i>Reviewed By:</i> DHO, 9/12/2018</p> <p><i>Type:</i> Accountability</p> <p><i>Category:</i> Grants (Federal)</p> <p><i>Reporting Level(s):</i> Exit Item</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i> \$0.00</p>	<p><i>Issue</i></p> <p>The County has not established written conflict or interest or general procurement policies that address the federal requirements, as required under Uniform Guidance. The County had until January 1, 2018 to have these policies in place, which if not done, may result in a higher level of recommendation the future audit periods.</p> <p>We recommend that the County puts procurement/conflict of interest policies in place to address federal requirements.</p>	

## Columbia County

<b>NOTES</b>

<b>ISS.4 - Finding - Sole Source Procurement Resolution Final</b>
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<i>Prepared By:</i>	MDR, 9/13/2018
<i>Reviewed By:</i>	DHO, 9/19/2018
<i>Type:</i>	Accountability
<i>Category:</i>	Grants (Federal)
<i>Reporting Level(s):</i>	Finding

**Impact**

*Cost Savings:*

*Questioned Costs:*      \$0.00

*Issue*

**2017-001      The County did not have internal controls in place to ensure it met competitive bidding requirements.**

***Background***

In our three previous audits, we issued recommendations about following procurement requirements related to a contractor who provides mental health services to the community. The contractor is paid with federal funds. In 2014 and 2016 audits, these recommendations resulted in a management letter.

Federal grant requirements require the County to formally bid for professional services by issuing a request for proposal and selecting the most qualified contractor. Our current and previous audits noted that the County did not issue a request for proposal for these services, and instead considers the contractor a sole-source provider. State law provides exceptions to bid law in which the governing body may waive standard competitive requirements. A local government can use the "sole source" exception if it demonstrates that purchases are clearly and legitimately limited to a single source of supply. The County did not provide documentation supporting a sole-source designation for this contractor.

## Columbia County

	<p><b><i>Description of Condition</i></b></p> <p>The County paid the contractor \$225,591 in 2015, \$241,256 in 2016, and \$172,453 in 2017.</p> <p>In addition, the County extended the original contract, which expired in 2011, through June30, 2015. The County continued to make payments totaling \$250,285 on this expired contract until it issued another contract extension in July 2017, extending it through June30,2018. Federal grant requirements do not allow for contract extensions and further require each additional contract to be formally bid.</p> <p><b><i>Cause of Condition</i></b></p> <p>The County continues to consider the contractor a sole-source provider and believes the contractor is the only vendor offering these services. Although the County understands the bidding requirements, it has not made it a priority to obtain the proper documentation.</p> <p><b><i>Effect of Condition</i></b></p> <p>Without formally bidding for professional services, the County cannot determine if the most qualified provider was selected and cannot demonstrate compliance with federal procurement requirements.</p> <p><b><i>Recommendation</i></b></p> <p>We recommend the County follow federal procurement requirements and issue a request for proposal for mental health services, or provide adequate support regarding its sole-source designation for this contractor.</p>
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## Columbia County

	<p style="text-align: center;"><b><i>County's Response</i></b></p> <p>In response to the audit finding regarding competitive bidding requirements, the County will follow all applicable laws.</p> <p style="text-align: center;"><b><i>Auditor's Remarks</i></b></p> <p>We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.</p> <p style="text-align: center;"><b><i>Applicable Laws and Regulations</i></b></p> <p>§200.320 Methods of procurement to be followed          (f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply: (1) The item is available only from a single source;</p>
<b>NOTES</b>	

<b>ISS.5 - FS Reporting Misstatement</b>		
<b><i>Prepared By:</i></b>	MDR, 9/5/2018	<b><i>Issue</i></b>
<b><i>Reviewed By:</i></b>	DHO, 9/19/2018	We found that the County misclassified approximately \$30 million in agency collections as court remittances on the C-5.
<b><i>Type:</i></b>	Financial Statements	
<b><i>Category:</i></b>	Accounting/Financial Reporting	We recommend the County ensure complete and accurate reporting on the financial statements.

## Columbia County

<p><b>Reporting Level(s):</b> Exit Item</p> <p><b>Impact</b></p> <p><b>Cost Savings:</b></p> <p><b>Questioned Costs:</b> \$0.00</p>	
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### NOTES

### ISS.8 - E - Citations - Document Retention

<p><b>Prepared By:</b> MDR, 8/27/2018</p> <p><b>Reviewed By:</b> GLW, 8/27/2018</p> <p><b>Type:</b> Accountability</p> <p><b>Category:</b> Records Retention</p> <p><b>Reporting Level(s):</b> Exit Item</p> <p><b>Impact</b></p> <p><b>Cost Savings:</b></p> <p><b>Questioned Costs:</b></p>	<p><b>Issue</b></p> <p>Per RCW 46.64.010(6), "Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible."</p> <p>The County has switched to a new electronic system for generating citations. When we requested to review the monthly audit reports generated from the system, the documentation was not available, but could be generated for us. Audit Reports should be retained and available for review as they occur (monthly), versus all being generated as needed.</p> <p>We recommend the County puts controls in place to ensure that citation documentation is retained per RCW 46.64.010(6).</p>
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### NOTES

## Columbia County

ISS.11 - E - Property Room		
<p><i>Prepared By:</i> MDR, 7/30/2018</p> <p><i>Reviewed By:</i> GLW, 8/27/2018</p> <p><i>Type:</i> Accountability</p> <p><i>Category:</i> Records Retention</p> <p><i>Reporting Level(s):</i> Exit Item</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i> \$0.00</p>	<p><b><i>Issue</i></b></p> <p>During our review of property room dispositions we did not note any official approval of 2017 dispositions (there were approximately 40 items disposed) or the 2017 internal audit results of the property room.</p> <p>We recommend the County retain approval for disposition of property and documentation of internal audits performed.</p>	
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ISS.12 - E - Property Room Policies		
<p><i>Prepared By:</i> MDR, 9/12/2018</p> <p><i>Reviewed By:</i> DHO, 9/12/2018</p> <p><i>Type:</i> Accountability</p> <p><i>Category:</i> Other</p> <p><i>Reporting Level(s):</i> Exit Item</p> <p><i>Impact</i></p>	<p><b><i>Issue</i></b></p> <p>We noted the current property room policies do not require scheduled internal audits of the property room.</p> <p>We recommend the County update written policies and procedures to include an annual internal audit of property room evidence to ensure listings are accurate and complete.</p>	

## Columbia County

<i>Cost Savings:</i>	
<i>Questioned Costs:</i> \$0.00	

### NOTES

#### ISS.13 - ML - Unsupported Payroll

<p><i>Prepared By:</i>            MDR, 8/27/2018</p> <p><i>Reviewed By:</i>         DHO, 9/12/2018</p> <p><i>Type:</i>                     Accountability</p> <p><i>Category:</i>             Payroll/Personnel</p> <p><i>Reporting Level(s):</i>    Management Letter</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i>    \$0.00</p>	<p><i>Issue</i></p> <p><b><u>Unsupported payroll</u></b></p> <p>The County Auditor’s Office retains Board-approved payroll documentation to support the amounts paid to County employees. In 2017, the County had about \$3.7 million in payroll expenditures.</p> <p>During our audit of payroll, the County could not provide approved pay rate documentation for six of the 19 employees selected for testing. Total wages paid to these employees was \$218,767. We found the County did not regularly use personnel forms to record and approve pay rate changes.</p> <p>We recommend the County establish policies and procedures to ensure proper documentation regarding employee pay is completed and retained.</p>
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### NOTES

#### ISS.14 - Finding - Federal PW A&E Procurement Method Final

<p><i>Prepared By:</i>            MDR, 9/13/2018</p> <p><i>Reviewed By:</i>         DHO, 9/19/2018</p>	<p><i>Issue</i></p> <p><b>2017-001     The County did not have</b></p>
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## Columbia County

<p><i>Type:</i> Single Audit</p> <p><i>Category:</i> Grants (Federal)</p> <p><i>Reporting Level(s):</i> Finding</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i> \$53,878.89</p>	<p style="color: blue; font-weight: bold; margin-top: 0;">adequate internal controls in place to ensure compliance with federal procurement and suspension and debarment requirements of the Highway Planning and Construction grant.</p> <p><b>CFDA Number and Title:</b> 20.205 Highway Planr Grant</p> <p><b>Federal Grantor Name:</b> Federal Highway Adm</p> <p><b>Federal Award/Contract Number:</b> LA-8944</p> <p><b>Pass-through Entity Name:</b> Federal Highway Adm Of Transportation (via Transportation)</p> <p><b>Pass-through Award/Contract Number:</b> LA-8944</p> <p><b>Questioned Cost Amount:</b> \$ 0</p> <p style="color: blue; font-weight: bold; margin-top: 0;"><i>Background</i></p> <p>During fiscal year 2017, the County spent \$924,725 in federal grant funds awarded by the Federal Highway Administration and passed through by the Washington State Department of Transportation. The County used Program funding on seven projects, managed by its Public Works Department.</p> <p>Federal grant regulations require grant recipients to follow the more restrictive of state or federal bid laws. Federal requirements for procuring architectural and engineering services are more restrictive than state law. Competitive proposal procedures must be used for qualification-based</p>
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## Columbia County

procurement of architectural and engineering services whereby competitors' qualifications are evaluated and the most qualified competitor is selected. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. The County must have a written method for conducting its technical evaluations of the proposals it receives and for selecting recipients. Once it selects a firm, the County must negotiate a contract allowing for fair and reasonable compensation.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The County must verify that all contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the County may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The County is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The County must inform primary contractors of this responsibility.

### ***Description of Condition***

The County did not have adequate controls in place to

## Columbia County

ensure it complied with the most restrictive procurement requirements or to ensure consultants were not suspended or debarred before awarding a contract.

The County used its Consultant Roster to select a consultant firm to provide architectural and engineering (A&E) services rather than advertising publicly to allow open competition as required by federal regulations. The County did not have a written method for conducting technical evaluations of proposals received or retain documentation supporting its decision in selecting the consultant. In addition, the County could not demonstrate it verified the consultant it selected was not suspended or debarred.

We consider these control deficiencies to be a material weakness.

These issues were not reported as findings in the prior audit.

### ***Cause of Condition***

The County's Public Works Department staff were not aware of the federal requirements that apply when procuring A&E services.

While the County's Public Works Department was aware of the requirement to verify the suspension and debarment status of its contractors, staff were not aware the documentation needed to be retained to show the verification of the contractor's eligibility had been performed.

### ***Effect of Condition and Questioned Costs***

## Columbia County

Without sufficient internal controls to ensure compliance with federal procurement requirements, the County did not provide open competition for the A&E services it needed. Further, the County cannot demonstrate it selected the most qualified firm or negotiated reasonable compensation for the services.

In addition, the County paid \$53,879 for A&E services to a consultant it could not show it verified as not having been suspended or debarred before making the payment. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.

The services the A&E consultant provided were allowable under the federal program. In addition, the County subsequently verified the consultant was not suspended or debarred. Therefore, we are not questioning these costs.

### ***Recommendations***

We recommend that the Public Works Department establish internal controls to ensure federal procurement requirements are met by ensuring:

- Requests for proposals of A&E consultants are advertised and identify all evaluation factors and their relative importance;
- Methods for conducting technical evaluations of A&E proposals received and selecting recipients are written;
- Consultants paid more than \$25,000 are not suspended or debarred before awarding of the contract; and

## Columbia County

- Documentation is retained to support compliance with federal procurement and suspension and debarment requirements.

### ***County's Response***

In response to our recent Columbia County Public Works Audit we offer the following information addressing the inadequate internal controls in place to ensure compliance with federal procurement and suspension and debarment requirements of the Highway Planning and Construction grant.

Correction action by Public Works will be as follows:

- Public Works staff are now aware of the federal requirements for all consulting work to be published and identify all evaluation factors used in the award of contract. We will create a written method for conducting technical evaluation of the proposals we received.
- Public Works staff are now aware of the WADOT LAG manual debarment procedure requirement. Our department will only use the forms provided in the LAG manual as Certification regarding debarment, suspension and other responsibility matter – primary covered transactions, currently form number "Exhibit G-2." Consultant agreements will have WADOT local programs concurrence.
- Public Works staff will retain suspension and debarment information with each project.

## Columbia County

### ***Auditor's Remarks***

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 320 Methods of procurement to be followed, describes the competitive proposal procedures for qualifications-based

## Columbia County

	procurement of architectural/engineering (A/E) professional services.
<b>NOTES</b>	

<b>ISS.15 - ML - Pension Liability Balance Final</b>		
<p><i>Prepared By:</i> MDR, 9/13/2018</p> <p><i>Reviewed By:</i> DHO, 9/19/2018</p> <p><i>Type:</i> Financial Statements</p> <p><i>Category:</i> Accounting/Financial Reporting</p> <p><i>Reporting Level(s):</i> Management Letter</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i> \$0.00</p>	<p><i>Issue</i></p> <p><b><u>Schedule of Liabilities</u></b></p> <p>The County is responsible for designing, implementing and maintaining an effective system of internal controls to ensure financial statements, related notes and supplementary schedules are accurately recorded and fairly presented, and to provide reasonable assurance regarding the reliability of those statements.</p> <p>The County reported about \$5 million in liabilities on its Schedule of Liabilities. During our review of the Schedule of Liabilities, we identified that although the County had procedures to review the prepared financial statements and associated schedules, a control deficiency existed in that the review was not detailed enough to detect and correct the following misstatement:</p> <ul style="list-style-type: none"> <li>• The County under-reported its beginning liabilities by about \$3.4 million.</li> </ul> <p>We recommend the County perform a detailed review the Schedule of Liabilities to ensure the beginning balances are carried forward correctly from the prior year ending balances.</p>	
<b>NOTES</b>		