



# A Guide to Unauditable Governments in Washington

## Special report

*State laws require local governments to be audited by our Office and for them to submit annual financial reports, yet every year many governments do not meet these obligations. Failure to be audited and provide annual financial reports keeps the public in the dark about how public money is being used, and impairs the decision making of management and elected officials. By improving transparency and accountability, we increase trust in government.*

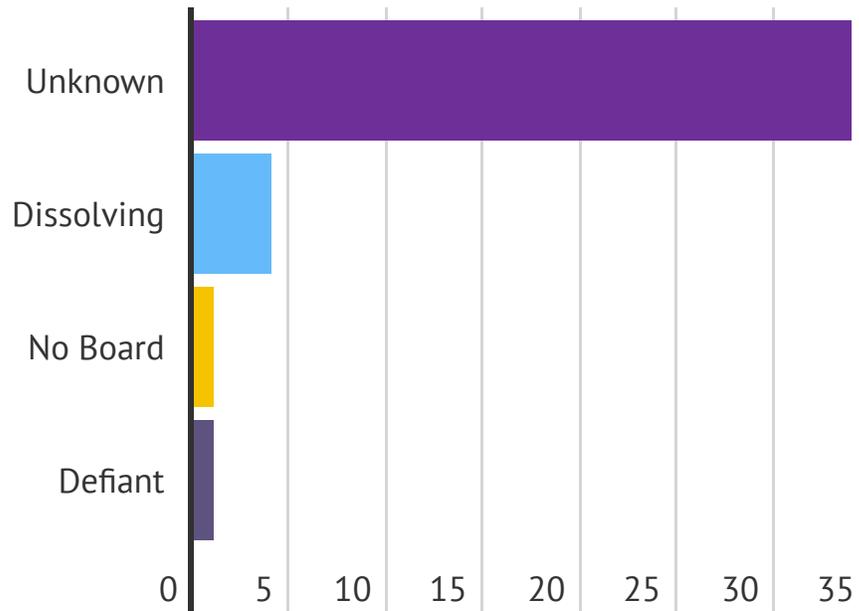


Each year, the State Auditor's Office cannot audit over \$1 million of public money because of local governments that do not file annual financial reports as state law requires.

Most are very small governments



# Why?



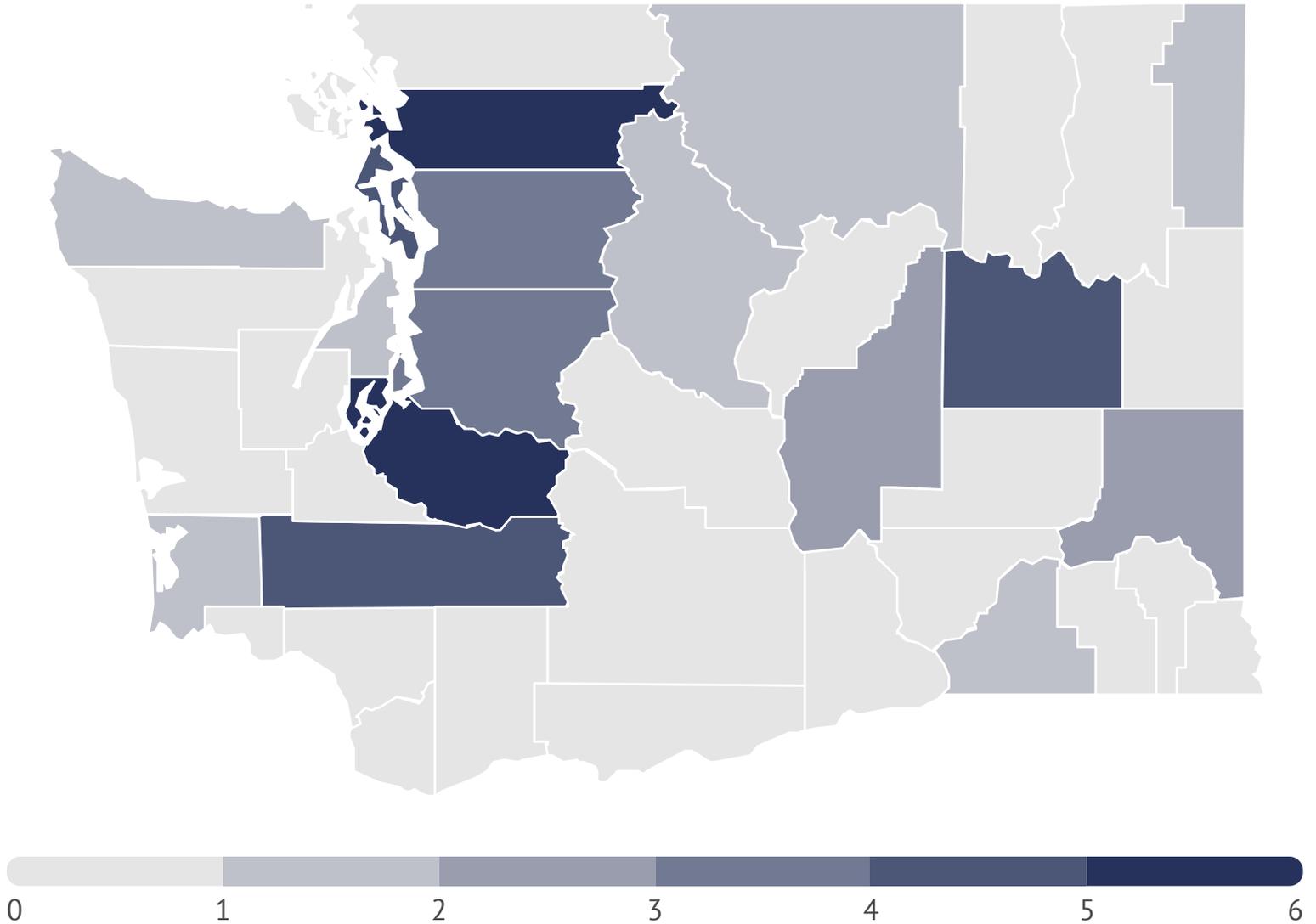
We attempt to reach out to these governments to understand why they don't file the required reports. We do this so that we can offer assistance to them. From the governments that responded, we found that some had minimal activity and chose not to file despite the requirement to do so. We further found some that had no employees at the time, or were incurring turnover. For others, we found that they were trying to cease operations but had not yet completed that process.

For the majority, however, we simply couldn't reach them; some even said they wouldn't comply because they didn't find the law important.



# Where?

This issue isn't limited to a specific area of the state. The graphic below shows the distribution of "unauditable" governments.



## Listed below: the 40 "unauditable" governments, 2015-2017

Entity Name	Gov Type	County
Wenatchee Chiwawa Irrigation District	Irrigation	Chelan County
Cline Irrigation District	Irrigation	Clallam County
Grant County Cemetery District No 3	Cemetery	Grant County
Grant County Weed District No. 1	Weed	Grant County
Island County Drainage District No 1	Drainage	Island County
Island County Drainage District No 5	Drainage	Island County
Island County Drainage District No 8	Drainage	Island County
Juniper Beach Water District	Water	Island County
King County Fire Protection District No 24	Fire	King County
King County Fire Protection District No 31	Fire	King County
Redmond Public Corporation	Misc	King County
Rocky Point Water District No 12	Water	Kitsap County
Lewis County Cemetery District No 4	Cemetery	Lewis County
Lewis County Drainage District No. 1	Drainage	Lewis County
Lewis County Fire Protection District No. 17	Fire	Lewis County
Lewis County Water District No. 3	Water	Lewis County
Harrington, City of	City	Lincoln County
Lakeview Sewer District No. 1	Sewer	Lincoln County
Lincoln County Cemetery District No 6	Cemetery	Lincoln County
Sprague PDA	PDA	Lincoln County

## Listed below: the 40 "unauditable" governments, continued

Entity Name	Gov Type	County
Okanogan County Cemetery District No. 3	Cemetery	Okanogan County
Pacific County Fire Protection District No 7	Fire	Pacific County
Pend Oreille County Cemetery District No 2	Cemetery	Pend Oreille
Elkhorn Water District	Water	Pierce County
Lake Louise Weed Removal District	Weed	Pierce County
Lake Ohop Weed Removal District	Weed	Pierce County
Lake Steilacoom Weed Removal District	Weed	Pierce County
Pierce County Drainage District No 23	Drainage	Pierce County
Skagit County Dike District No 19	Drainage	Skagit County
Skagit County Dike District No 4	Drainage	Skagit County
Skagit County Dike District No 9	Drainage	Skagit County
Skagit County Drainage District No 17	Drainage	Skagit County
Skagit County Drainage District No 18	Drainage	Skagit County
Skagit County Fire Protection District No. 15	Fire	Skagit County
Snohomish County Dike and Drainage Improvement District No 7	Drainage	Snohomish County
Snohomish County Diking District No 3	Drainage	Snohomish County
Snohomish County Fire Protection District No. 27	Fire	Snohomish County
Waitsburg Coppei Flood Control District	Flood	Walla Walla County
Whitman County Cemetery No. 7	Cemetery	Whitman County
Whitman County Fire Protection District No 4	Fire	Whitman County



# The following governments may become "unauditable," if they do not file an annual financial report due May 30, 2019.

*The list of unauditables is dynamic; new governments will be declared unauditable if they do not file annual financial reports and do not respond to our repeated inquiries.*

Entity Name	Gov Type	County
Skagit County Cemetery District No. 3	Cemetery	Skagit
City of Entiat	City/Town	Chelan
Skagit County Cemetery District No. 5	Cemetery	Skagit
University Place Parks and Recreation District	Park and Recreation District	Pierce
Island County Diking District No. 3	Diking/Drainage	Island
*King County Drainage District No. 5	Diking/Drainage	King
Pierce County Drainage District No. 10	Diking/Drainage	Pierce
Skagit County Drainage District No. 21	Diking/Drainage	Skagit
Hopkins Drainage District No. 2	Diking/Drainage	Thurston
Mason County Fire Protection District No. 4	Fire	Mason
Franklin County Public Hospital District No. 1	Hospital	Franklin
Grant County Port District No. 6	Port/Airport	Grant
Grays Harbor County Fire Protection District No. 17	Fire	Grays
Lewis County Water Sewer District No. 5	Water/Sewer	Lewis



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# Government Compliance Improves Trust

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## How does SAO handle non-filers?



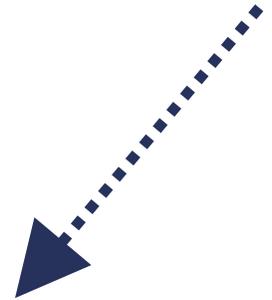
### Reminder emails

(both before and after deadline)

*If government does not respond ...*



### Phone calls and letters



**We have even driven to officials' houses to deliver notices in person**

# 3 Years

If auditors cannot obtain sufficient information or contact non-compliant local governments for 3 years, our Office notifies the public of this fact.



## Government declared "unauditable"



When auditors cannot obtain sufficient information for audit, our Office declares that government "unauditable" and issues a report to notify the public. However, this only passes the issue down the road. Our Office hopes this transparency creates accountability that will persuade the government to file in the future.

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# Unauditables begin as repeat non-filers

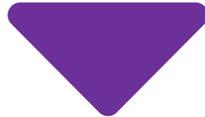
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We issued reports in the past ([2015 report](#) and [2016 report](#)) that detailed the status of non-filing governments. Filing increased since we began to publicize the issue, with about 1,800 governments filing yearly either on-time or late, but we continue to seek improvement.

**130**

130 local governments on average do not file an annual report each year. (This is the first step on the road to becoming an unauditable government.)

**40**



40 were declared "Unauditable" since 2015.

**10**



10 of those 40 have been "Unauditable" since 2003.

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# What SAO is doing, and what *you* can do to help

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*In addition to this Guide, State Auditor Pat McCarthy has created a new category of report to highlight governments that cannot be audited. It is part of her initiative to increase transparency and open government at every level. This new report is called a "Report on Unauditable Government," and you can find it easily on our website. It will increase the visibility of this issue for the public and elected officials.*

*We released the first of these new reports on May 22, 2019. This report is on King County Drainage District No. 5, which has been unauditable since fiscal year 2016.*

*We also are stepping up outreach to neighboring governments, such as counties. We are asking them to encourage these unauditable governments to file their annual financial reports. By meeting this statutory requirement, they will make their finances transparent.*

## **What can you do?**

Please [contact our Office](#) if you have concerns or questions about government transparency.