

Washington State Auditor's Office
Accountability Audit Report

Benton County

Report Date
October 8, 2007

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WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

November 5, 2007

Board of Commissioners
Benton County
Prosser, Washington

Report on Accountability

Please find attached our report on Benton County's accountability and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the County's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Audit Summary

Benton County
October 8, 2007

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Benton County.

We performed audit procedures to determine whether the County complied with state laws and regulations and its own policies and procedures. We also examined County management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2006, through December 31, 2006.

RESULTS

The County complied with state laws and regulations and its own policies and procedures in most areas we examined. Internal controls were adequate to safeguard public resources. We noted certain issues that we communicated to County management. We also identified one condition significant enough to report as a finding:

- Benton County did not comply with bid law or prevailing wage requirements.

RELATED REPORTS

Our opinion on the County's financial statements and compliance with federal program requirements is provided in a separate report, which includes the County's financial statements. That report includes a financial statement finding over the preparation of the Schedule of Federal Expenditures.

CLOSING REMARKS

We thank County officials and personnel for their assistance and cooperation during the audit.

Description of the County

Benton County October 8, 2007

ABOUT THE COUNTY

Benton County was incorporated in 1905 and currently serves approximately 160,600 citizens. A commissioner-form of government administers the County, with an elected, three-member Board of Commissioners. In addition, there are seven independently elected positions including Assessor, Auditor, Clerk, Treasurer, Prosecuting Attorney, Sheriff and Coroner. The County has an annual budget of approximately \$148 million and approximately 700 employees who provide an array of services including road maintenance and improvement, public safety, judicial administration, health and social services and general administrative services.

AUDIT HISTORY

We audit the County annually. There were two findings in 2006. The past eight audits of the County have contained six findings. The number of findings has ranged from three in 2000 to one each in 1998, 2003 and 2004. No findings were reported in the 1999, 2001, 2002 or 2005 audits. County officials have taken steps to make improvements and to correct conditions noted in prior findings. We believe this reflects the County's desire and commitment to maintain a strong financial system. We appreciate the County's prompt attention to resolve audit issues and its commitment to establish public accountability.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Chair

Leo Bowman
Max Benitz, Jr.
Claude Oliver

Assessor

Barbara Wagner

Auditor

Bobbie Gagner

Clerk

Josie Delvin

Prosecuting Attorney

Andrew Miller

Treasurer

Duane Davidson

Sheriff

Larry Taylor

Coroner

Rick Corson

District Court Judges:

Eugene F. Pratt

Robert J. Ingvalson

Holly A. Hollenbeck

Superior Court Judges:

Craig J. Matheson

Cameron Mitchell

Carrie L. Runge

Robert G. Swisher

Vic L. Vanderschoor

Dennis D. Yule

APPOINTED OFFICIALS

County Administrator
County Engineer
Human Services Director
Planning and Building Director
Central Services Manager
Facilities and Parks and Sustainable
Development Manager

David Sparks
Ross Dunfee
Carrie Huie-Pascua
Terry Marden
Randy Reid

Adam Fyall

ADDRESS

County

620 Market
P.O. Box 190
Prosser, WA 99350
(509) 786-5600

Audit Areas Examined

Benton County October 8, 2007

In keeping with general auditing practices, we do not examine every portion of Benton County's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the County were examined during this audit period:

ACCOUNTABILITY

We evaluated the County's accountability and compliance with laws, regulations, contracts and grant agreements in the following areas:

- Open public meetings
- Cash counts and cash receipting at various County departments
- Warrant integrity and disclosure amounts
- Superior Court disbursements
- Sheriff's Department – receipt integrity and contract monitoring
- Human Services Department – expenses reimbursement policy
- Land sale process
- Payroll – severance packages, valid employees, highest increases and highest monthly payments
- Property tax calculations and billings
- Revenue trends
- Records retention policy – email
- Expenditures and disbursements
- Credit card purchases
- Competitive bid law
- Prevailing wage requirements
- Bond proceeds and covenants – health district building
- State and local grant expenditures
- Assessor's Office – assessment of new businesses and exemptions from appraisals
- Insurance coverage and bonding of employees
- County Treasurer – collections, adjustments and write-offs
- Jail – commissary (store), inventory, receipting and inmate trust accounts
- Constituent referrals – software purchase process and property tax calculations

FEDERAL PROGRAMS

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the County's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

FINANCIAL AREAS

Our opinion on the County's financial statements is provided in a separate report. That report includes the County's financial statements and other required financial information. We examined the financial activity and balances of the County including:

- Cash and investments
- Capital assets and infrastructure
- Revenues
- Expenses and expenditures
- Accrued wages payable
- Payments due to other government units
- Journal entries
- Long-term debt
- Subsequent events
- Going concern
- Overall presentation of the financial statements and notes
- Comprehensive Annual Financial Report review

Schedule of Audit Findings and Responses

Benton County October 8, 2007

1. Benton County did not comply with bid laws or prevailing wage laws.

Description of Condition

During our review of the County's compliance with bid and prevailing wage laws, we noted:

- For four public works projects, totaling \$147,983, the County did not have performance bonds as required by state law.
- For two public works contracts, totaling \$86,815, the County did not have documentation that the contractors complied with prevailing wage requirements.
- No signed contract for a \$7,989 public works contract.
- One public works contract, totaling \$820,514, in which the County excluded a scope of the project that should have been included in the awarding bid.
- The County did not maintain supporting documentation to show which contractors and businesses applied to be placed on its small works roster.

Cause of Condition

The County did not have internal controls in place to ensure compliance with bid law and prevailing wage requirements.

Effect of Condition

The County did not follow state law for bid law or prevailing wage requirements.

Recommendation

We recommend the County comply with state bid and prevailing wage laws for all public works projects and retain records for the vendor listing for the small works roster.

County's Response

Benton County has created one point of contact for administration of all contracts. All contracts include the "contractor provides a performance bond and contractor shall comply with all applicable . . . laws . . . including prevailing wages" language. A notice to proceed is not sent to the contractor until these documents are received along with a certificate of insurance and statement of intent. All current 2007 contractors and businesses on the small works roster will be pre-qualified. New vendors will be placed within five (5) business days on the small works roster and put through the pre-qualification process before a contract is approved.

Auditor's Remarks

We will follow up on this issue during our next regularly scheduled audit.

Applicable Laws and Regulations

RCW 39.04.155, Small works roster contract procedures--Limited public works process, states:

(1) This section provides uniform small works roster provisions to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property that may be used by state agencies and by any local government that is expressly authorized to use these provisions. These provisions may be used in lieu of other procedures to award contracts for such work with an estimated cost of two hundred thousand dollars or less. The small works roster process includes the limited public works process authorized under subsection (3) of this section and any local government authorized to award contracts using the small works roster process under this section may award contracts using the limited public works process under subsection (3) of this section.

(2)(a) A state agency or authorized local government may create a single general small works roster, or may create a small works roster for different specialties or categories of anticipated work. Where applicable, small works rosters may make distinctions between contractors based upon different geographic areas served by the contractor. The small works roster or rosters shall consist of all responsible contractors who have requested to be on the list, and where required by law are properly licensed or registered to perform such work in this state. A state agency or local government establishing a small works roster or rosters may require eligible contractors desiring to be placed on a roster or rosters to keep current records of any applicable licenses, certifications, registrations, bonding, insurance, or other appropriate matters on file with the state agency or local government as a condition of being placed on a roster or rosters. At least once a year, the state agency or local government shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. In addition, responsible contractors shall be added to an appropriate roster or rosters at any time they submit a written request and necessary records. Master contracts may be required to be signed that become effective when a specific award is made using a small works roster.

RCW 39.08.010, Bond required--Conditions--Retention of contract amount in lieu of bond--Contracts of one hundred thousand dollars or less, states:

Whenever any board, council, commission, trustees, or body acting for the state or any county or municipality or any public body shall contract with any person or corporation to do any work for the state, county, or municipality, or other public body, city, town, or district, such board, council, commission, trustees, or body shall require the person or persons with whom such contract is made to make, execute, and deliver to such board, council, commission, trustees, or body a good and sufficient bond, with a surety company as surety, conditioned that such person or persons shall faithfully perform all the provisions of such contract and pay all laborers, mechanics, and subcontractors and materialmen, and all persons who supply such person or persons, or subcontractors, with provisions and supplies for the carrying on of such work, which bond in cases of cities and towns shall be filed with the clerk or comptroller thereof, and any person or persons performing such services or furnishing material to any subcontractor

shall have the same right under the provisions of such bond as if such work, services or material was furnished to the original contractor: PROVIDED, HOWEVER, That the provisions of RCW 39.08.010 through 39.08.030 shall not apply to any money loaned or advanced to any such contractor, subcontractor or other person in the performance of any such work: PROVIDED FURTHER, That on contracts of twenty-five thousand dollars or less, at the option of the contractor the respective public entity may, in lieu of the bond, retain fifty percent of the contract amount for a period of thirty days after date of final acceptance, or until receipt of all necessary releases from the department of revenue and the department of labor and industries and settlement of any liens filed under chapter 60.28 RCW, whichever is later: PROVIDED FURTHER, That for contracts of one hundred thousand dollars or less, the public entity may accept a full payment and performance bond from an individual surety or sureties: AND PROVIDED FURTHER, That the surety must agree to be bound by the laws of the state of Washington and subjected to the jurisdiction of the state of Washington.

RCW 39.12.040, Statement of intent to pay prevailing wages, affidavit of wages paid--Duty of public agencies to require--Approval--Prerequisite to payment--Alternative procedure, states:

(1) Except as provided in subsection (2) of this section, before payment is made by or on behalf of the state, or any county, municipality, or political subdivision created by its laws, of any sum or sums due on account of a public works contract, it shall be the duty of the officer or person charged with the custody and disbursement of public funds to require the contractor and each and every subcontractor from the contractor or a subcontractor to submit to such officer a "Statement of Intent to Pay Prevailing Wages". For a contract in excess of ten thousand dollars, the statement of intent to pay prevailing wages shall include:

(a) The contractor's registration certificate number; and

(b) The prevailing rate of wage for each classification of workers entitled to prevailing wages under RCW 39.12.020 and the estimated number of workers in each classification.

Each statement of intent to pay prevailing wages must be approved by the industrial statistician of the department of labor and industries before it is submitted to said officer. Unless otherwise authorized by the department of labor and industries, each voucher claim submitted by a contractor for payment on a project estimate shall state that the prevailing wages have been paid in accordance with the prefiled statement or statements of intent to pay prevailing wages on file with the public agency. Following the final acceptance of a public works project, it shall be the duty of the officer charged with the disbursement of public funds, to require the contractor and each and every subcontractor from the contractor or a subcontractor to submit to such officer an "Affidavit of Wages Paid" before the funds retained according to the provisions of RCW 60.28.010 are released to the contractor. Each affidavit of wages paid must be certified by the industrial statistician of the department of labor and industries before it is submitted to said officer.

(2) As an alternate to the procedures provided for in subsection (1) of this section, for public works projects of two thousand five hundred dollars or less:

(a) An awarding agency may authorize the contractor or subcontractor to submit the statement of intent to pay prevailing wages directly to the officer or person charged with the custody or disbursement of public funds in the awarding agency without approval by the industrial

statistician of the department of labor and industries. The awarding agency shall retain such statement of intent to pay prevailing wages for a period of not less than three years.

(b) Upon final acceptance of the public works project, the awarding agency shall require the contractor or subcontractor to submit an affidavit of wages paid. Upon receipt of the affidavit of wages paid, the awarding agency may pay the contractor or subcontractor in full, including funds that would otherwise be retained according to the provisions of RCW 60.28.010. Within thirty days of receipt of the affidavit of wages paid, the awarding agency shall submit the affidavit of wages paid to the industrial statistician of the department of labor and industries for approval.

(c) A statement of intent to pay prevailing wages and an affidavit of wages paid shall be on forms approved by the department of labor and industries.

(d) In the event of a wage claim and a finding for the claimant by the department of labor and industries where the awarding agency has used the alternative process provided for in subsection (2) of this section, the awarding agency shall pay the wages due directly to the claimant. If the contractor or subcontractor did not pay the wages stated in the affidavit of wages paid, the awarding agency may take action at law to seek reimbursement from the contractor or subcontractor of wages paid to the claimant, and may prohibit the contractor or subcontractor from bidding on any public works contract of the awarding agency for up to one year.

(e) Nothing in this section shall be interpreted to allow an awarding agency to subdivide any public works project of more than two thousand five hundred dollars for the purpose of circumventing the procedures required by RCW 39.12.040(1).



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 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 has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. 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 program to coordinate audit efficiency and to ensure high-quality audits.

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Chief Policy Advisor
Director of Administration
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