

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

---

**Grays Harbor County**

Report Date  
**January 3, 2013**

**Report No. 1008985**

Issue Date  
**January 14, 2013**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 14, 2013

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your County 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 Grays Harbor 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

# Table of Contents

Grays Harbor County  
January 3, 2013

Related Reports .....	1
Audit Summary .....	2
Description of the County .....	3
Status of Prior Audit Findings .....	5

## **Related Reports**

**Grays Harbor County  
January 3, 2013**

### ***FINANCIAL***

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the County's financial statements. That report included a finding relating to the County's internal controls over financial reporting.

### ***FEDERAL GRANT PROGRAMS***

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

# Audit Summary

Grays Harbor County  
January 3, 2013

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Grays Harbor County from January 1, 2011 through December 31, 2011.

We evaluated internal controls and performed audit procedures on the activities of the County. We also determined whether the County 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:

- Open public meetings
- General revenue and expenditures
- Controls over significant accounting systems
- Financial condition
- Cost allocation/interfund transactions
- Use of restricted funds
- Collection of forfeited bail bonds
- Assessor's Office
- Contract compliance
- Key software applications
- Fuel cards

## ***RESULTS***

In most areas, the County complied with state laws and regulations and its own policies and procedures.

However, we noted certain matters that we communicated to County management. We appreciate the County's commitment to resolving those matters.

# Description of the County

## Grays Harbor County January 3, 2013

### ***ABOUT THE COUNTY***

Grays Harbor County is home to approximately 71,600 residents. The County is governed by an elected, three-member Board of Commissioners. Additional elected officials include Assessor, Auditor, Clerk, Coroner, Prosecuting Attorney, Sheriff, three Superior Court Judges, two District Court Judges and Treasurer. For 2011, the County operated on an annual budget of \$104 million.

The County has approximately 400 employees who provide public safety (Sheriff and judicial services), construction and maintenance of roads and bridges, sanitation facilities, health and social services, cultural and recreational facilities and activities, planning and zoning services and general administrative services.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:

District 1  
District 2  
District 3

Terry Willis  
Mike Wilson  
Herb Welch  
Gordon Godfrey  
F. Mark McCauley

Superior Court Judges:

David Edwards  
Stephen Brown  
Thomas Copland

District Court Judges:

Rick Hole

Assessor

Vern Spatz

Auditor

Cheryl Brown

Clerk

Daniel Burns

Coroner

H. Steward Menefee

Prosecuting Attorney

Michael Whelan

Sheriff

Ron Strabbing

Treasurer

## ***APPOINTED OFFICIALS***

Central Services Director  
County Road Engineer  
Health and Social Services Department  
Director  
Management Services Director  
Building Division Director  
Planning Division Director  
Clerk of the Board  
Environmental Health Director  
Facility Services Director  
Fair Manager  
Forestry Director  
Utilities and Development Division  
Director

Dale Gowan  
Russell Esses

Joan Brewster  
Rose Elway  
Mike Ferry  
Lee Napier  
Donna McCallum  
Jeff Nelson  
Dennis Selberg  
Mike Bruner  
Larry Smith

Kevin Varness

## ***COUNTY CONTACT INFORMATION***

Address: Grays Harbor County  
100 W. Broadway, Suite 33  
Montesano, WA 98563

Phone: (360) 249-4144

Website: [www.co.grays-harbor.wa.us](http://www.co.grays-harbor.wa.us)

## ***AUDIT HISTORY***

We audit the County annually. The prior audit reported an accountability finding for its declining financial condition. Although the County has improved its financial condition, we have communicated concerns to management in this area.

# Status of Prior Audit Findings

## Grays Harbor County January 1, 2011 through December 31, 2011

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

- 1. The County has experienced declines in tax revenue and has not effectively reduced costs, resulting in its financial position continuing to decline.**

Report No. 1006999, dated January 3, 2012

### **Background**

The County's General Fund ending cash balance as of August 31, 2011, was \$1,804,880. This balance would cover approximately 40 days worth of operating expenses.

The County's General Fund expenditures exceeded revenue in two of the prior three years, attributing to the decline in ending cash balances:

	2008	2009	2010	31-Aug-11
Revenue	\$24,207,742	\$24,460,044	\$23,930,371	\$15,089,737
Expenditures	\$26,019,629	\$24,356,969	\$25,092,328	\$16,125,316
Excess/(Deficit	\$(1,811,887)	\$ 103,075	\$(1,161,957)	\$(1,035,579)

In August 2009, the County Commissioners approved a \$2 million inter-fund loan from the Landfill Post-Closure Fund to the General Fund to cover short-term cash flow needs. The County paid off the \$2 million inter-fund loan in full in 2010. In 2011 the Commissioners approved another \$1 million inter-fund loan from the Landfill Post-Closure Fund to General Fund to cover short term cash flow needs.

The County projected a 2011 year-end cash balance of \$1,929,394. This projection includes paying off the \$1 million inter-fund loan, and an additional \$360,000 in Forest Excise Tax that was received in November 2011. The County intends to take another inter-fund loan in 2012.

### **Status**

The County has improved its financial condition. However we communicated concerns to management in this area. We will review the County's progress on this issue during the next audit.



## **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.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Puggetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**James E. Brittain, CPA, CFE**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

**Website**  
**Subscription Service**

[www.sao.wa.gov](http://www.sao.wa.gov)  
<https://www.sao.wa.gov/EN/News/Subscriptions/>